

THE GROWTH  
OF COLLECTIVE ECONOMY

VOLUME II

THE GROWTH OF INTERNATIONAL  
COLLECTIVE ECONOMY







# THE GROWTH OF COLLECTIVE ECONOMY

BY  
F. E. LAWLEY

VOLUME II  
THE GROWTH OF INTERNATIONAL  
COLLECTIVE ECONOMY

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A TRIBUTE  
OF  
AFFECTION AND REMEMBRANCE



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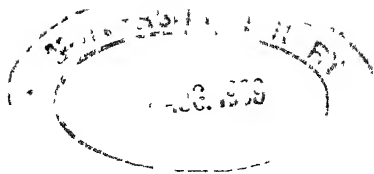
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## INTRODUCTORY QUOTATIONS

"We must sooner or later arrive at an economic system internationally organised. . . . We shall not attain to an organisation of international economic relations—that is, to a system where the economic relations between States are organised—if the economic life within countries is left unorganised." (Professor Edgard Milhaud, *Annals of Collective Economy*, Vol. I, 1925, "The Organisation of Economic Life", p. 359.)

"Public services, co-operation, organisation of the economic life—these are three converging and connected modes of action, three forms of the collective economy." (Professor Edgard Milhaud, *Annals of Collective Economy*, Vol. I, 1925, p. 5.)

"What is needed is not a debating society, but a Council of Action." (General Smuts, Second Plenary Meeting of the Monetary and Economic Conference, 13th June, 1933.)

"Economics is more and more assuming an international character." (M. Flandin, French Foreign Minister, in a speech—read by Mr. C. J. L. Brock—to the Cobden Club, London, 31st March, 1936, *The Times*, 1.4.36.)

"International commerce is indispensable to national life. Most Latin-American countries ordinarily sell abroad from 30 to 85 per cent of their total production of movable goods. England must sell 25 per cent, Germany, Canada and Australia, 30 per cent, New Zealand 40 per cent, and Japan 45–60 per cent. International trade has shrunk from \$50,000,000,000 down to less than \$15,000,000,000. International transactions are now the exception rather than the rule." (Mr. Cordell Hull, U.S. delegate, at the Fifth Plenary Meeting of the Monetary and Economic Conference, 14th June, 1933.)

"The old-fashioned industrial life to which we have grown accustomed has undergone a change. We move towards a new economic order of things. . . . Recovery is beyond the strength of any single nation." (Mr. Bennett, as Canadian Prime Minister,

in the Chairman's address to the Imperial Economic Conference, Ottawa, 1932.)

"Of the trade carried on by the Empire, 70 per cent is still with foreign countries, only 30 per cent among ourselves." (Mr. Baldwin, addressing the Imperial Economic Conference, Ottawa, 1932.)

"However great our resources we cannot isolate ourselves from the world. No nation or group of nations, however wealthy and populous, can maintain prosperity in a world where depression and impoverishment reign." (Mr. Baldwin, addressing the Imperial Economic Conference, Ottawa, 1932.)

"The ordinary man is simply bewildered. There is clearly something wrong in the world when commodities of which he would gladly purchase more than he does, if only he were able to afford it, are being destroyed or kept from the market in order—so he is told—to save the producer from ruin. . . . If the machinery of world trade were working smoothly the growers of food and of raw material would be able to exchange all they could produce for the articles manufactured by the secondary industries. Over-production is hard to imagine in the sense that more wheat, for example, is being grown than the world can use. At any rate it cannot be said to exist so long as there are people who cannot get enough bread to eat.

"There is, the economists tell us, a disequilibrium between production and effective demand. But that carries the ordinary man no farther: it merely describes in technical language a condition which the ordinary man can see perfectly well for himself, and of which, indeed, he is only too painfully aware. What he wants to know is what has caused the disequilibrium, and how it is to be remedied. When will he again be able to go cheerfully on with his work, producing all he can, confident that he will be able to exchange what he produces for the things he wants, produced by others who, in their turn, want the things he produces? When he asks these questions he is met with a multitude of answers, none of which agrees with any other, until he is forced to the suspicion that, for all their display of learning and for all their apparatus of statistics and graphs and equations and their incomprehensible vocabulary of technical terms, the pundits really understand the situation very little better than he does himself. At any rate, they cannot agree among themselves. Half a dozen

professors of Political Economy, discussing the practical questions on which their studies should enable them to throw light, can disagree among themselves as whole-heartedly as any half-dozen business men in a railway carriage. But somehow or other, with or without the aid of the scientific economist, answers will have to be found for the economic riddles over which the world is now bewildered. Until they are solved, or, perhaps, solve themselves, there can be no general return to prosperity. The Federal Farm Board of the United States, the Governors of Texas and Oklahoma, the Coffee Council of Brazil, resorted to drastic measures to relieve their own immediate distresses: but it seems improbable that any real or permanent solution can be found along these lines. The world is not going to become more prosperous by destroying its wealth. . . .

"The ordinary man . . . is quite prepared to recognise that in these days of mass production and international competition some old ideas must be jettisoned and that organisation and co-ordination and co-operation on a wide scale are necessary for economical production and efficient distribution." (*The Times*, leading article, 5.9.31.)

"Every rational person knows that, since there are international causes of the depression, there must be international remedies. . . . When some nations undertake to produce every commodity, whatsoever the cost, for purposes of either peace or war, other nations are driven, in turn, to the adoption of similar policies of unjustifiable production, with the result that, as in the case of military armaments, the economic race neutralises itself to the injury of all engaged." (Mr. Cordell Hull, U.S. delegate, at the Ninth Plenary Meeting of the Monetary and Economic Conference, 27th July, 1933.)

"Have we come to deliberate as though our respective nations were isolated units in the world? Then we shall fail." (Mr. Ramsay Macdonald, in his opening speech to the Monetary and Economic Conference.)

"The Conference should not shut out from consideration any ideas, however unorthodox they might appear to be." (Mr. Connolly, Irish Free State Government delegate to the Monetary and Economic Conference, Sixth Plenary Meeting, 15th June, 1933.)

"International trade is chiefly barter, or a mutually profitable

exchange of surpluses." (Mr. Cordell Hull, U.S. Government delegate to the Monetary and Economic Conference, Fifth Plenary Meeting, 14th June, 1933.)

"There is being produced under our eyes a general gliding from the individual towards the general plan, from the national towards the international, from economic liberty to economic order. On its territory the State is called to play a rôle appreciably different from that which it played formerly; it must no longer merely fix tariffs and initiate big works: it must be the arbiter, regulator, conciliator, director. . . . One can be frightened at the State's task? But what would happen without it? What it tries to do at home the States try to do between themselves. . . . In other words and in short the idea of a national economy, the conception of an international economy, are thrust upon us: and it certainly seems as if our epoch must be that of the 'organised economy'. It is a question of substituting a national order for an unchecked, free operation of antagonistic forces, of remedying the cruel brutality of conflict and vicissitudes in economic life, in order to obtain in the common and higher interest sacrifices and renunciations, avoiding wastage of energy and resources, and a harmony between production and consumption. . . . There has been given birth an organisation which will mark a date in the history of our ideas." (M. François Pinet, Under-Secretary of State in the Ministry of National Economy, in 1930, in addressing the National Economic Council, *Le Temps*, 11.4.30, p. 8.)

"The nationalistic spirit is not to be confounded with the laudable patriotic feelings which should animate citizens of all and any countries, that nationalistic spirit has permeated all communities of the world and reduced to its minimum the human as well as the commercial intercourse between them." (Baron E. B. d'Erlanger, Chairman, Channel Tunnel Company, in the Chairman's address at the 1935 Ordinary General Meeting, *The Times*, 16.5.35.)

"War assumes other forms besides the shedding of blood. War includes the rivalries created by Customs barriers, monopolies of raw materials, quotas and all the economic and financial restrictions which have reduced world economy to ruins." (Signor Mussolini, quoted by the Italian Government delegate in the Second Committee of the Assembly, 21st September, 1935: see A II/P.V.7. 1935.)

"One is led to the thought that, in a similar emergency, there ought to be not alone mobilisation of man power, but of things and of dollars." (*American Industry in the War: a Report of the War Industries Board*, by B. M. Baruch, Chairman, p. 81.)

"If the war had continued, a system of international control of many of the principal war industries might have resulted." (*American Industry in the War: a Report of the War Industries Board*, by B. M. Baruch, Chairman, p. 92.)

"As long as the present situation as regards inter-allied debts, quotas, exchange restrictions, etc., continues, so long will trade between the nations of the world be hampered and the extremes of nationalism be fostered. The one hope for the future is that the League should be reconstituted on an economic basis to include those great countries like Germany, Italy, Japan and the United States of America, and that the nations of the world should unite in seeking a solution of the problem which impedes the recovery of international trade. This is the only sure road to peace in the world to-day." (Gen. the Hon. Sir H. A. Lawrence, Chairman's address to the 69th Annual General Meeting of Vickers, Ltd., 3rd April, 1936, *The Times*, 4 4.36.)



## CHAPTER I

### THE MENACE OF ECONOMIC NATIONALISM

THE effect of the determination to cling to private property and private enterprise in creating poverty and war, needs to be examined closely from the international angle. The thesis which will be sustained energetically throughout this volume is that, whereas this determination is at the root of economic nationalism and its concomitant, economic imperialism, the whole tendency of modern technical and economic development emphasises the need for economic internationalism; a resort to which, in fact, despite the prejudices and unenlightened self-interest of many property-owners, is being made increasingly by producers and Governments. The need for collective intervention is found to be as great in the international as it is in the national sphere. The application of the economic principles on which it is based alone can save the world from poverty and from war.

• The desire to protect private property and private undertakings outside national boundaries, far more than what are generally called political considerations, influences the foreign policy of Governments and their attitude to external trade.\* The imperious necessity of preserving accumulated individual possessions and opportunities for private enterprise, at the expense of no matter what moral or other considerations, makes them cling, by force if necessary, to overseas possessions and to an unfair share of the necessary natural resources within their own boundaries.

The result of private enterprise within the State is



the absorption of an unjust share of the product of industry, in the shape of profit, for reinvestment of this surplus in the most "profitable" manner (that is, profitable to the private property-owner). As the existence of the surplus implies the poverty of the mass of the home consumers, their limited purchasing power compels the search for opportunities of investment abroad. If this surplus, which is really produced by co-operative effort, and is, therefore, a "collective" surplus, had been absorbed collectively, the amount available for private enterprise abroad would have been smaller, or its investment abroad would have been inspired by more rational considerations and guided by the public hand. In earlier stages of imperialist development this search for opportunities of "profitable" investment led to the introduction into international relations of such factors as spheres of influence—i.e. not primarily of influence by the national flag but by the beneficent profit-seeker, protected by a Government which represented those interests which were mainly interested in profit-making. Already at this point the search to unload this surplus led to antagonisms between the nations. These antagonisms have deepened as this influence extended itself and became more permanent in colonies, Protectorates and other forms of overseas relations. Before 1914 the "Big" Powers (i.e. those with a lot of property—"Little" Powers mattered as little as the propertyless people, however intelligent, within the State!) struggled and fought for the spoils in China, Africa and Persia. During the Great War and at the Peace Conference they continued the struggle.\* Many people who believed that to take into a national League of Nations Union simply pious hopes and a belief in a vague political internationalism was, in some curious way, inevitably to resolve all international economic complications, have been suddenly disappointed, startled and amazed to find that smouldering fires of resentment at British (and, to a lesser degree, French) possession of large sections of valuable overseas territory which the Italians and the

Germans have been hiding since the Peace Conference have burst into life and flames.\*

National economic systems based on undisciplined private property and private enterprise must engage in this fight to use abroad the surplus that has created poverty within their own confines. There is then keen competition in the quest for profit-making abroad. The surplus is invested, not where it is most needed from the point of view of the needs of the world's peoples as a whole, but from the point of view of private and national interests, of maximising quickly the obtainable profits. Moreover, there is no international co-ordination of the investment of capital and development of production by various States in the main forms of production within their own boundaries. Thus, as has occurred within the State, there have arrived points of relative over-investment and over-production accompanied by under-consumption and lack of purchasing power. Cotton is destroyed in the United States and coffee in Brazil, while there are millions of impoverished people who could do with these products in other parts of the world. Hence recurring capitalist crises, like the monster that began in 1929. Uncontrolled private enterprise, private investment of capital and private production, on the international, as on the national plane, spell anarchy. When the inevitable crises arrive the nations find their system of foreign exchange upset. Their markets disappear. They fall back on an autarchic conception of national self-sufficiency, which is uneconomic because it does not postulate investment and production where there is a differential advantage and the least comparative cost, from a world point of view. Tariff barriers are erected; imports are prohibited or controlled, quotas are introduced; as attempts are made by nations to become independent of other nations. A British Cabinet Minister<sup>1</sup> proclaims that the discoveries of science and the artificial production of commodities and substitutes have made

<sup>1</sup> Mr. Walter Elliot, as Minister of Agriculture, in his Rectorial address at Aberdeen University, 18th January, 1934 (*The Times*, 19.1.34).

the nations less economically interdependent in certain respects, though he admits that ultimately the world must be organised as a whole, even if we begin by organising smaller units. Economic nationalism destroyed the Supreme Economic Council of the Allied and Associated Powers, created in 1919, and it has since killed all attempts to make the nations treat the world as a single economic unit. Such economic nationalism tends to intensify national antagonisms, thus making war more likely. It is the last enemy. Dr. Goebbels was quite right in saying that "everywhere anarchy is raising its head as the inevitable outcome of economic lunacy".<sup>1</sup>

While the national jungle has been partly cleared the international jungle has become more savage. Within each State the Government is moving away from the conception of an unorganised, individualist economy to that of an organised, collective economy. Economic necessity is compelling stern national action to prevent the wrecking of national economic life by the free exercise of the old right of private property. This is a remarkable feature of the economic system, under Fascism, Nazism,<sup>2</sup> Communism and "New Deal". Private economic activities have been disciplined and tamed by the collective will in the search for economic stability. International economic life is disordered and experiences increasingly devastating crises because no comparable action has been taken to curb private enterprise, and its concomitant, economic nationalism, in the international sphere. The peoples are discovering their economic interdependence and the necessity of extending the task of disciplining private enterprise to the international sphere. The cure for world disorder is not the replacing of closed national economies by open ones and the encouragement of freedom of trade between nations. What is required is international collective

<sup>1</sup> Opening the Leipzig Fair, 1st March, 1936. On 7th March, 1936, Herr Hitler said that economic suffocation was at the root of Germany's troubles.

<sup>2</sup> Cf. Herr Hitler's speech at the Railway Centenary celebrations, Nuremberg. See *The Times*, 10.12.35

intervention to ensure that the dominant force in international economic life is no longer the quest for private and national profit. National and private economic ambition and self-assertion must submit to the collective will. Rich nations must be compelled to make some surrender of possessions and wealth to poor ones.<sup>1</sup>

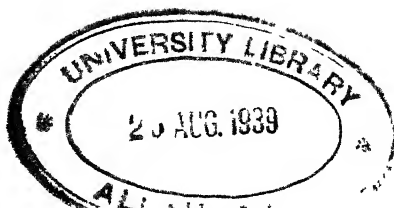
True national economic equilibrium cannot be established upon a basis of national economic self-sufficiency. International exchange of commodities and services is essential to the healthy economic life of individual nations. Real national economic equilibrium can be found only on the basis of the international division of labour; whereby, in the light of the world's needs and resources as a whole, the differential advantages of controlled production may be secured for all nations. Economic progress can only accompany the growing development of internationally organised production and exchange in the light of this conception. This crisis is revealing in a growing measure the economic interdependence of nations so that the very factors which tend to produce a defensive economic nationalism must drive nations to closer economic co-operation as the policies of economic nationalism are seen to fail to bring salvation. Further, the development of power production throughout the world makes an international problem of the disequilibrium between production and consumption; for, to create unemployment in one country is to affect adversely the economic well-being of other countries. The menace of economic nationalism is all the greater in that the world is now undergoing a tremendous technical revolution. The enormous rise in productivity, resulting from the application of science to

<sup>1</sup> This idea found some expression in a speech by Viscount Cranborne, Under-Secretary for Foreign Affairs, in the British House of Commons, 24th February, 1936. He said that in domestic policy the rich had to contribute more than the poor to communal services. England was in regard to collective security in the position of the rich; and must make a proportionate contribution. Just as the rich had special interests in maintaining their estates and private charity, and often those interests had to be subordinated to the general interest, so it was with international collective security.

industry and the new industrial revolution of power and energy, has only served to intensify the fundamental disequilibrium of the system of uncontrolled private enterprise and its inability to relate production to consumption and human needs. Exportation of the surplus to assist the industrialisation of less-developed overseas countries has not solved the problem because they have embraced economic nationalism. The present economic malaise gives a warning that there must be a thorough examination of the "ambiguous relation of business profits to economic welfare",<sup>1</sup> both in their international and their national aspects.

The experiences of this terrible economic crisis have shown the necessity of creating an international organisation to seek to regulate the part of the product of industry going to profits and capitalisation and that part going to wages. Anarchic apportionment of the "surplus" of industry has led to a disproportionate share going to capital and too small a share to labour; over-production on the one hand has met under-consumption on the other. This is at the root of the matter. It is not enough to seek to redress inequalities in international possessions of wealth by efforts to encourage greater freedom of trade between the nations of the world. The world is becoming a single economic system which needs an increasing measure of international action to improve the distribution of income so that world consumption may rise in harmony with the increase in production; and so that the quest for private profit shall cease to be the dominant motive in international economic life.

<sup>1</sup> Wesley C. Mitchell, *Bulletin of the Taylor Society*, February, 1930, p. 5.



## CHAPTER I

# THE HISTORY OF THE MOVEMENT TOWARDS INTERNATIONAL COLLEC- TIVE ECONOMY<sup>1</sup>

## PRE-WAR BEGINNINGS OF INTERNATIONAL ECONOMIC ORGANISATION

ALTHOUGH the tide of economic internationalism has receded, temporarily, during this crisis, it has been advancing steadily during the last fifty years. Long before the Great War the trend of modern international economic relations was indicated. The beginnings of

<sup>1</sup> See, *inter alia* Baker, R S *Woodrow Wilson and World Settlement*, 3 vols, London, 1923, Bank for International Settlements. *Annual Reports*, 1930 to date; Baruch, B M *American Industry in the War A Report of the War Industries Board*, 1921, Beveridge, Sir W H *British Food Control*, London, 1928, Clark, K *International Communications The American Attitude*, New York, Culbertson, W S *International Economic Policies*, New York, London, 1925; Eisenlohr, L E S *International Narcotics Control*, London, 1934, *Essays in Honour of Gilbert Murray*, by Eighteen Contributors, London, 1936, Greaves, H R G *The League Committees and World Order*, London, 1931; League of Nations *The Agricultural Crisis*, Geneva, 1931, Assembly (and its Committees) *Journal, Press Communiqués and Minutes of Proceedings; The Problem of the Coal Industry Interim Report on its International Aspects*, Geneva, 1929; *The Coal Problem*, Geneva, 1932; Commission of Inquiry for European Union (and its Committees) *Reports of Proceedings, Council Reports of Proceedings*, International Economic Conference *Preliminary Reports and Memoranda* prepared by or submitted to the Preparatory Committee, Geneva, 1926-1927; *Report and Proceedings*. 2 vols., Geneva, 1927; *Documentation*, Geneva, 1926, 1927, *Final Report*, Geneva, 1927; *Discussion and Declarations on the Report of the Conference*, on 16th June, 1927, Geneva, 1927, *Selections from Speeches delivered to the Plenary Sessions*, 4th-7th May, 1927, Geneva, 1927; *Official Declarations concerning the Recommendations of the*, May, 1927, Geneva, 1928; *Journal of the*, Nos 1-18, Geneva, 1927, *The Economic Conferences of the League The World Economic Conference*, by various authors, with an introduction by Sir A. Salter, London, 1927; International Financial Conference *Report of the Advisory Committee*, London, 1920; *Proceedings of the Conference*, 3 vols,

international economic organisation were seen in the formation of the International Telegraphic Union, in 1868, and the International Postal Union, in 1874, with its headquarters at Berne. This latter served as a peace instrument in war-time by maintaining contact between the postal administrations of the various belligerent countries. Apart from insignificant exceptions it embraces the whole world. Countries within it form one single territory for the purposes of correspondence,

London, Brussels, 1920, Brussels Financial Conference, 1920 *The Recommendations and their Application*, 4 vols, Geneva, 1922; Provisional Economic and Financial Committee *The Application of the Results of the International Financial Conference at Brussels*, 1920 (Annex to the Report of the Financial Committee), 2 vols, Geneva, 1922; International Labour Organisation—International Labour Office *Industrial and Labour Information* (Weekly publication); *International Labour Review* (monthly publication); International Labour Conference *Reports of Proceedings at Annual Sessions*, *The International Labour Organisation The First Decade*, London, 1931, *Report of the Director* (Annual—to the International Labour Conference)—prior to 1932 to be found in *International Labour Conference* (Annual), usually in Vol II, *World Inquiry into Production*, 5 vols, in French (Introduction only in English), edited by Edgard Milhaud; *Year Book*, 1930 to date, Monetary and Economic Conference. *The Monetary and Economic Conference*, London, 1933 *An Account of the Preparatory Work for the Conference and an outline of the previous activities of the Economic Organisation of the League of Nations*, Geneva, 1933, *Journal of the . . . Monthly Summary* (Secretariat, Information Section), *Official Journal*; Permanent Court of International Justice Publications, Provisional Economic and Financial Committee *Report on Certain Aspects of the Raw Materials Problem, with the Relevant Documents submitted to the Committee by Professor Gini*, 2 vols, Geneva, 1921, Secretariat Publications of the Communications and Transit, Economic Relations, Financial and Economic Intelligence (Service), Health, Information, and Opium Traffic and Social Questions Sections, *Ten Years of World Co-operation*, Geneva, 1930, *The World Sugar Situation*, Geneva, 1929, Technical Organisations Reports of Proceedings of the Communications and Transit, Economic and Financial, and Health Organisations (various Committees and sub-Committees), *The Timber Problem. Its International Aspects*, Geneva, 1932, Lloyd, E M H *Experiments in State Control at the War Office and the Ministry of Food*, Oxford, 1924, Milhaud, Edgard *L'Organisation Economique de la Paix*, Académie de Droit International, Librairie Hachette, Paris, 1928, Miller, D H *The Drafting of the Covenant*, 2 vols, New York, London, 1928; Pinot, P *Le Contrôle de la Ravitaillement de la population Civile*, Paris, 1925, Salter, Sir J A *Allied Shipping Control*, Oxford, 1921, Sayre, F. B *Experiments in International Administration*, New York, London, 1919; Temperley, H W V (edited by) *A History of the Peace Conference of Paris*, 6 vols, London, 1920–24, *Times*, *The* (Files), Willis, H. P *A History of the Latin Monetary Union A Study of International Monetary Action*, Chicago, 1901; Zagorsky, S O *State Control of Industry in Russia during the War*, New Haven, 1928

with a population of 1,800 millions and postal correspondence of 40,000 million letters per year.<sup>1</sup> This is the germ of the real economic internationalism. A congress meets every five or six years to revise various agreements; and every nation represented has only one vote—a democratic basis. The Union now supplies international reply coupons, sold in post offices of all countries, which can be enclosed in any letter to which one desires to prepay a reply and which are exchangeable by the recipient at any post office in his country for postage stamps of equivalent value.

The Latin Monetary Union represented another partial movement in this direction. In 1865, France, Belgium, Italy and Switzerland concluded a monetary Convention, called the Latin Monetary Union, for the adoption of an identical monetary system, so that pieces of money issued of the same value, weight and measurement, would be legal currency in all the signatory countries. Greece joined it in 1868. It was renewed in 1878, 1885, and 1893-4; but ended after the Great War, with monetary reforms operating, tending to monetary stabilisation. Switzerland denounced it in 1926; and, in effect, it ended in 1927.

The tendency towards international economic co-operation also was reflected in the organisation of such bodies as the International Institute of Statistics (founded in 1885), the International Institute of Agriculture (founded in 1905) and the Danube and Congo River Commissions. The International Commission of Agriculture was founded at the First Agricultural Congress in Paris, in July, 1889. Proposals for a European Customs' Union and for an International Agreement on Wheat Production were discussed at subsequent Congresses. None of these bodies, however, bound in an authoritative manner the Governments of the various countries. It

<sup>1</sup> Within the International Postal Union are 96 separate postal organisations, and, according to the U S Statistical Abstract, in the 73 countries of the world there were 347,526 post offices, with 4,234,840 miles of postal routes and 1,981,305,675 miles of mail service undertaken annually in 1922 (quoted, in *Public Ownership*, by Carl Thompson)



was left to the pressure of economic and political necessity during the Great War to forge such links; and to the experience of the post-War period to lay the lasting foundations of close, Governmental economic co-operation.

#### THE EXPERIENCE OF THE GREAT WAR <sup>1</sup>

The Great War compelled nations, in self-protection, to adopt courses to which, in theory, their peoples were fundamentally opposed. Organisms of inter-Allied economy were created, in the evolution of which the United States played a decisive part; for many articles these controlled the revictualling of the world outside the Central Powers. They increased in scope and authority as the war proceeded. International economic planning and organisation characterised world economic activity. This inter-Allied action rested on the principle of an organised economy in each State. It arose at first because numerous individuals or States on the markets of countries producing or distributing raw materials caused an unlimited rise in price by their competition. The demands of each State, therefore, were concentrated; and the State presented itself to the inter-Allied organism as a single buyer. Distribution was made to the States according to their need; the same principle broadly being applied within the States, in the light of the general interest. Transport policy was harmonised with this aim, world tonnage being put at the disposal of the inter-Allied organisms of revictualling for the task of provisioning and distribution; and a united financial and economic front was achieved by credit agreements, largely with the aid of the United States. Finally, these world organisms were concentrated in the Supreme Economic Council. These were experiences of exceptional interest; and assuredly a great page was written thus in the economic history of humanity.

<sup>1</sup> "Imperious considerations of public health justified these initiatives" (International Chamber of Commerce, *Report on Comparative Study of Private and Public Enterprises*, 1929, speaking of public enterprises in war-time)!

From the early stages of the war the Royal Commission on Sugar Supplies, in London, made purchases for the Allies, as did, later, other British Departments. A single body bought, for all the Allies, on its behalf, in New York. The first inter-Allied economic organisation was created soon after the outbreak of war, the Inter-Allied Revictualling Commission, to co-ordinate British and French Government purchases. Later its scope was extended to centralise all demands placed by the Allies on the British market, to stop competition and provide co-ordinated purchases and shipment of supplies. The British Treasury was enabled thus to exercise close control over funds advanced to the Allies. With modifications this organ remained till the Armistice was signed; and was completed by the creation, in 1917, of the United States War Purchasing Commission. In December, 1915, joint purchases of wheat, flour and maize by the British, French and Italian Governments were initiated. In November, 1916, a Wheat Executive,<sup>1</sup> with full powers, was formed, in London, of one representative each of Great Britain, France and Italy, to purchase in foreign countries, allocate and arrange for transport to Europe of necessary amounts of wheat and flour (and any other cereal products later included under the Agreement) for the three countries. Its scope was extended, later, to include maize, barley, rice, rye, peas, beans and oats. The beneficent fruit of this Agreement resulted in the conclusion of similar agreements whereby were created the Sugar Executive, Oil and Seed Executive, and Meat and Fats Executive; and purchases were made for other Allied Governments also. To execute these, Inter-Allied Commissions, mostly composed of technicians chosen from business men in each country, were set up in London. In time various Committees were formed, piecemeal, to organise copper, nitrates, wool and petroleum. Arrangements were made for an Inter-Allied Committee to advise the British

<sup>1</sup> By the end of the war it also bought a large part of neutral supplies (Salter, *op. cit.*, p. 92).

Government Petroleum Executive. War Office control of the hides trade enabled the Inter-Allied Revictualling Commission to supply boots to the Allies. Indian Government control over trade in Indian cow hides and calf skins enabled the British and Italian Governments to get supplies at cheaper rates than in competition with each other and against private traders. A Committee was appointed under the direction of the Chairman of the Inter-Allied Revictualling Commission to co-ordinate the supply of wool and wool products (except cloth) for the Allies: this Committee centralised demands. Purchase of explosives, and raw materials for the manufacture thereof, in the United States was effected solely by the British Government for the European Allies, to stop competition in the U.S. market. An Advisory Inter-Allied Committee was proposed. Arrangements were made for all purchases of Spanish lead to be made through an Inter-Allied Committee. An Inter-Allied Conference on metal supplies led to an agreement not to pay more for copper in any market than the price fixed by the U.S. Government, for supplies from the U.S. An Inter-Allied Committee was formed in Jassy to co-ordinate Rumanian demands and control the supply of materials for Rumania; and a similar arrangement was made for Greece. Both Committees worked through the Inter-Allied Revictualling Commission. In 1916, the British and French Governments agreed to avoid competition in buying by purchasing through an International Commission for Wood Purchases: later the Belgian, Italian and United States Governments adhered to this Convention. In October, 1917, there was formed, by an agreement between the French, U.S., Italian and British Governments, in London, the International Nitrates Executive as a pool for supervising purchases of the Allies and the U.S. in Chile. The Executive received requisitions and allotted, fairly, amounts to the several countries at a fixed price.<sup>1</sup> Buy-

<sup>1</sup> See *American Industry in the War. A Report of the War Industries Board*, by B M Baruch, 1921, pp. 158-61.

ing under the pool began in January, 1918. Towards the end of the Great War (by an Agreement dated 28th August, 1918) an International Tin Executive was formed, in London, to pool supplies and allot them to the various countries, including the U.S. which compelled the formation of this Inter-Allied Executive.<sup>1</sup> The Executive controlled, directed and distributed purchases of pig tin for the participating countries, U.S., France, Italy and Great Britain. It appointed buying agents in producing countries. This pig tin was allocated to these countries on the basis of estimated annual requirements. The result represented a substantial financial saving. In addition to the War Executives for nitrates and tin, several others were in process of formation; and when the Armistice was concluded the British and U.S. Governments were thinking of forming International Executives for jute, rubber, tungsten, manganese, platinum and flax, leather, wool and several other commodities.<sup>2</sup>

In December, 1916, the Wheat Executive Agreement was followed by a Tonnage Agreement. A neutral Chartering Committee was formed in London and a Ship Purchasing Committee assured a fair distribution of neutral ships offered for sale. The full Allied Conference in London, beginning on 29th November, 1917, created the Allied Maritime Transport Council with a permanent staff in London; to which the U.S. later adhered. Each country kept executive control over its own ships; but the organisation arranged the most effective and economical utilisation of Allied tonnage and allocation thereof according to the general war interests, and adjusted the various programmes and needs. It was a co-ordinating body; pooling the use of tonnage, if not its management, by an International Board with full executive authority. It met for the first time 11th to 14th March, 1918.<sup>3</sup> Later it formed the Allied Maritime Transport Executive as the central authority.

<sup>1</sup> *Ibid*, pp 147-8

<sup>2</sup> Baruch, *op. cit.*, p 92.

<sup>3</sup> Salter, *op. cit.*, p 162.

The Allied Maritime Transport Council developed Programme Committees in regard to the imported commodities; and grouped several of these into the Inter-Allied Food Council (covering all food articles) and the Inter-Allied Munitions Council (covering all raw materials used mainly for making munitions). By 11th November, 1918, twenty Programme Committees—apart from these Councils, each with its permanent organisation, and the Transport Council itself—were formed.<sup>1</sup> An Inter-Allied Council on Finance and War Purchases was created to handle the finance of purchases by European Allies in the U.S. An Allied Transportation Council for Railways also was formed.

At the end of July, 1918, the Ministers of Revictualling of the U.S., Great Britain, France and Italy met in London to examine measures to be taken to ameliorate the co-ordination of programmes for revictualling each Allied country in what concerned their import needs, their means of transport, financial means, and the complete elimination of competition in the sale and transport of goods. It was then decided to form an Inter-Allied Revictualling Council, composed of the four Revictualling Ministries of the U.S., Great Britain, France and Italy, to meet every three months to arrange their programmes and examine all matters of common interest and economic policy. The Bureau, in London, was to contain two representatives of each Revictualling Ministry. A representative of the Inter-Allied Maritime Transport Council and also of the Inter-Allied Finance Council and the Inter-Allied Scientific Commission were invited to assist and participate in the discussions. The functions of this Committee of Representatives were to collect and to co-ordinate the revictualling programmes of the above various Executive Committees, to be the only link between these Executives and the Inter-Allied Maritime Transport and Finance Councils and to act as a kind of permanent Secretariat of the Inter-Allied Revictualling Council. The Wheat Executive, Meat

<sup>1</sup> Salter, *op cit*, p 239.

and Fats Executive, Sugar Programme Committee and Oil Seed Programme Committee, were formed or continued, with U.S. representation. Side by side with these unified programmes of co-ordinated imports and economic policy were no less complete Maritime Transport and Finance organisations. The power of the Allied Maritime Transport Council and its Executive declined during the autumn of 1918; and the Council came to an end on 7th April, 1919, when it was merged in the Supreme Economic Council.<sup>1</sup>

The aim of the International Executives and Committees formed during the war in respect of certain commodities was to assist the Inter-Allied Munitions Council in determining the real needs of the respective Allied and Associated Governments and to see that priorities were given to the best advantage, to obtain sufficient control of the sources of supply to ensure the fullest possible production, and, by eliminating competition in buying, to control prices at reasonable levels.

#### IMMEDIATE POST-WAR DEVELOPMENTS

Complete co-ordination in one body was achieved thus in the creation of this Supreme Economic Council, which co-ordinated the work of all the Inter-Allied Councils, by means of a Secretariat, with the headquarters in Paris. It formed various sections to deal with finance, raw materials, food, transport, etc., by absorbing the former bodies relating thereto. The Allied Maritime Transport Council acted as the Shipping Section in London. Thus were all resources pooled in this troubled period. In the summer of 1919, however, America quitted the organisation; and towards the end of that year the Inter-Allied bodies ceased to function. Speedily the world was abandoned to the law of supply and demand, and to international competition; the economic and financial, ending with the military united front. Since then the world economy has known no real health and it awaits

<sup>1</sup> Salter, *op cit*, p 216    The Executive continued with changed functions until 7th February, 1920

a return to constructive principles and forms of organisation for its regeneration. While the principle of international sovereignty was barely enthroned in these organisations, direct contact between national specialists did enable things to get done—thus achieving practically the same end.

One saw, under the direction of the "Executives," and Inter-Allied Commissions raw materials and food pooled and distributed, not according to purchasing power and national egoisms, but according to the well-considered needs, conducted to their destination by a fleet placed at the service of all countries, and paid by credits on which all could draw. . . . The Allies had a sad experience through its brutal liquidation. But the question remains, as to whether its maintenance, or at least its partial retention, might not have allowed the world economy to be regenerated and whether something of the kind must not pass into the future.<sup>1</sup>

Undoubtedly in the early stages of the war some form of permanent international economic co-operation was visualised. In June, 1916, the Economic Conference of Allied Governments, with M. Clémentel as President, already was engaged in fixing the bases of international exchange for the period following the cessation of hostilities. It took note of the fact that resolutions had decided that permanent measures of mutual aid and collaboration between them should be applied not only to sources of provisioning but also to financial, commercial and sea organisation; and that these Governments should co-ordinate their efforts to provoke a rational and harmonious development of their productive forces and facilitate the exchange of products obtained. All this implied a joint intervention of the States in forming and managing inter-Allied trusts and cartels, permanent action of public powers for the general direction of agriculture, industry and exchanges. There were envisaged new conditions created by economic evolution leading to an entente between the Allies, whose terms would enable a certain Federal division of labour and production.

<sup>1</sup> E. Minost, *Les Coopérations Interétatiques*, Paris, 1929.

After the Armistice a Supreme Council for Supply and Relief was created by the Supreme War Council, largely under pressure from the U.S.,<sup>1</sup> with Mr. Hoover as Director-General of Relief, assisted by a Permanent Committee of the Council and a Permanent Secretariat. On 8th February, 1919, the Supreme Council, on President Wilson's proposal, passed a resolution for the creation of a Supreme Economic Council, to deal with questions of finance, food, blockade control, shipping and raw materials, and absorb other existing inter-Allied bodies and their powers. Its powers were further defined at a meeting of the Supreme Council on 21st February, 1919. It was authorised to deal only with problems arising during the period of the Armistice, of a transitory character: examination of economic measures to be taken during the period of reconstruction

so as to ensure a due supply of materials and other commodities necessary for restoring devastated areas, the economic restoration of countries having suffered most from the war, the supply of neutral and ex-enemy countries without detriment to the supply of the needs of the Allied and Associated countries.

The work of the Supreme Economic Council was chiefly of a relief nature. Russia and Central and Eastern Europe badly needed help. There was also the task of economic control of German occupied areas; but the Inter-Allied Rhineland Commission was formed, and given power to undertake this task. The general desire to get rid of control, however, prevented the Supreme Economic Council from exercising full authority. It called the Genoa Conference, but this failed. The economic history of the immediately succeeding period was most interesting; but the struggle at the Peace Conference and within the major Allied control between those who wanted a strong economic organisation and those who wanted a return to the normal was an unequal one. In 1919, the Economic Commission was appointed by the Council of Ten, to settle certain

<sup>1</sup> H. W. V Temperley, *op cit*, Vol. I, p 295.



economic war questions and to promote peace and economic co-operation. In 1919, the Peace Conference also formed a Commission on the League of Nations; and there was a certain duplication of function between it and the Economic Commission.

In the Commission on the League of Nations the Belgian Government made a proposal for a permanent Agricultural Supervisory and Research Committee to adapt agricultural production in each country to its natural conditions, to promote specialisation and to facilitate the exchange of raw materials necessary for each form of production. In the League Commission the French Government proposed an international organisation of production beginning with a statistical study of each country's needs, and the formation of a League Economic Section to study and to achieve in the general interest, plans for large-scale international economic enterprise.<sup>1</sup> France also suggested in the Plenary Session of the Peace Conference, on 28th April, 1919, the formation of a Financial Section of the League of Nations,<sup>2</sup> endowed with special tasks in relation to the financial aspects of the Peace Treaties. A proposal for creating an International Economic Council, to give advice to Governments, was made by a Sub-Committee of the Supreme Economic Council; but it did not materialise.

In regard to international financial co-operation an important step was marked by the creation of the Inter-Allied War Purchase and Finance Council. During the Peace Conference Mr. Lloyd George submitted a pro-

<sup>1</sup> And the promise by States Members of protection for foreigners' property, which was opposed by President Wilson as being a dangerous principle to which to commit the League. He said that his policy for the Government of the U.S. was not to support capitalists with investments abroad, which gave them an unfair advantage over the country in question.

<sup>2</sup> Miller, *op. cit.*, Vol. II, p. 713. This proposal had been put forward at the Bureau of the Peace Conference on 25th January, 1919, was sent to the Financial Commission, which accepted it in principle unanimously, and, on 28th February, 1919, sent it to a Sub-Committee on inter-Allied problems. The report of Mr. Montagu Norman (British Empire) was unanimously accepted by the Sub-Committee, on 26th March, 1919, and submitted to the Plenary Meeting of the Financial Commission, which passed it unanimously; and it was sent to the Supreme Council.

posals, made by Mr. J. M. Keynes, for a £1,500 million loan, guaranteed jointly by the "enemy" Governments and, if they defaulted, by the Allied Governments; of which 20 per cent was to be used to supply Germany and Central-European States with working capital and means of purchasing food and raw materials for the rehabilitation of industry. This, of course, did not materialise. Several other proposals for international Government co-operation in handling the post-war financial problems bore no fruit. The only permanent tangible result of these Committees' labours was the paving of the way for the formation of the League Economic and Financial organisation.

In 1919 (March), a Communications Section of the Supreme Economic Council was created, with Commissions in several different countries, and for the Danube and the Elbe, as its agents. It handled transportation of relief supplies to stricken areas, the preparation for the tasks of reconstruction and for the reorganisation of Danube communications. The Peace Conference created a Committee on the International Régime of Ports, Waterways and Railways, in January, 1919; for it had tasks to undertake in connection with some European rivers and international ports. Eventually the League was entrusted with the task<sup>1</sup> of supervising the transport matters arising out of the Peace Treaties. The result was the League Communications and Transit Organisation.

#### THE DEMAND FOR INTERNATIONAL CONTROL OF RAW MATERIALS

Early in 1919 a strong movement was shaping itself to ensure the adoption of national and international measures for the provision of raw materials and food supplies; in which, it is most opportune to recall, Italian spokesmen played a very important part. During the Armistice after the Great War a proposal emanated from

<sup>1</sup> See Part XII of the Versailles Treaty and similar provisions in the other Peace Treaties

British official sources that the Allies should allocate the exportable surplus of raw materials controlled by them, after the war, by mutual agreement, substantially in continuation of the war arrangements—in order to make the ex-enemy countries dependent on them during the execution of the Peace ‘Treaties’ stipulations. Lists of key raw materials were prepared and talked about at the Peace Conference; but nothing was done. In 1914, the Congress of the American Federation of Labour had instructed its Executive to meet at the same time and in the same place as the Peace Congress, to formulate the workers’ needs and demands; so that fraternal relations and protection of the workers could be at the root of a durable peace. Later, reference will be made to the two Workers’ Conferences at Berne, in 1919, demanding action to achieve international distribution of raw materials. In June, 1919, the Inter-Allied and Neutral Co-operative Conference, in Paris, stressed these aspects of international co-operative policy: (1) the establishment of Inter-Allied Committees as International Food Committees to distribute, according to world resources, the raw materials among the nations according to the needs of each; (2) collaboration of public bodies with co-operative organisations of each country to assure just distribution at a just price of imported commodities and of all other goods; and (3) creation of an international economic statistical office for dealing with raw materials, acting as the co-ordinating and directing organ of international committees. According to the needs, resources and conditions of production and consumption of each country, this office would prepare the economic co-operation of the peoples and the division of labour among them.

A French proposal to the Commission on Raw Materials at the Paris Peace Conference, asking that “foodstuffs, fuel and other materials on which the industrial and economic life of all countries depends may not be objects of monopoly or differential prices on the part of countries which possess them”, was lost. In the Economic Commission of the Peace Conference the

French delegation proposed that, as the riches of the world were unequally spread over its surface and in order to root out future economic conflicts, there should be entry to and departure from a country, free from duty, of all raw materials for industry, of which it gave a list.

In March, 1919, the Italian members of the Raw Materials Commission to the Peace Conference presented a similar motion; in November, 1919, an analogous motion concerning coal was placed before the thirty-first session of the Supreme Economic Council in Rome; a resolution to this effect was passed by the Congress of the Socialist Second International at Geneva in 1920; and there were two such resolutions passed at the International Congress of the League of Nations Union, at Milan, in October, 1920.

In June, 1919, M. Albert Thomas placed before the French Superior Council of Co-operation, in the name of the National Federation of Consumers' Co-operatives, a Report relating mainly to the establishment of national and international statistics concerning needs, stocks and production. This Report emphasised that the commercial and industrial war régime was set up in direct contradiction to the traditional régime in commerce and industry, which was operated in the belief that the free play of economic forces, the law of supply and demand leading to a harmony between various interests, guaranteed the popular well-being; and yet, even before the war, producers and the intermediaries attempted groupings to regulate and direct markets, manufacture and sale. The war, it said, brought great practical experiences; and now the people must choose between commercial liberty and economic "statism".

It urged that, to overcome the economic chaos of each nation, an official and disinterested organ of exact information about facts must be created, by the side of which should exist an office for observing quantities and stock. Rational distribution would be possible only given adequate information as to production, stocks and needs.

It also wanted an International Statistical Office, charged with the study of the resources and needs of the different countries and of the method of accomplishing distribution to achieve the greatest common utility, to be set up by the side of the League of Nations.

The terrible events of the war have made perhaps more imperious than ever the needs of productivity, intense circulation and just distribution, which go to bind together the peoples. There will be no durable peace if, in the régime of liberty that one pretends to maintain, one does not introduce a little organisation.

The Superior Council of Co-operation adopted this Report.

Some months later Mr. Baldesi, Italian workers' delegate at the first Session of the International Labour Conference, brought the matter forward as far as to achieve a Minority Report of a Commission of that Conference; which said:

Different countries have not all reached the same degree of development. but, still more, natural inequalities allow certain countries to possess mineral riches in the form of mineral and other natural resources, while others lack these completely; these factors have caused past economic difficulties to an appreciable extent. Before the war we have witnessed periodic crises due to over-production, which caused distress among the working masses, in spite of abundance of products. Since the war, we have noticed in certain countries the contrary phenomenon of insufficiency of production due to the scarcity of raw materials necessary to industry. This phenomenon has had similar results, that is to say, very grave unemployment, accompanied by the misery which follows the closing of factories or reduction of their staff.

Wherefore it is very important to demand that the League of Nations should study the question of a just distribution of raw materials, in order to avoid that certain countries depend completely, from the economic point of view, on others possessing the said raw materials. This problem requires very careful study. Some countries with the specified advantage object to interference with their sovereignty: but they should remember that time, by permitting inventions and discoveries, opens up new possibilities from known and unknown resources. A country should know

that its advantage may be lost: the circumstances of the modern world do not allow a narrow, egoistic policy to be adopted.

A Permanent Commission for a just distribution should be set up; and also, to overcome the irregularity and fluctuation of sea transport rates, a permanent international commission with a consultative and deliberate voice to regulate sea transport rates, should be formed.

The Baldesi motion was only lost by 43 votes to 40.

Following on the demand of the International Miners' Congress, in 1920, for the creation of an International Bureau for the distribution of fuel, minerals and other materials indispensable to the normal economic life of the peoples, the Governing Body of the International Labour Office resolved, in October, 1920, to negotiate with the League of Nations for the setting up of an International Statistical Office for prices and quantities, whose first section should be that of coal, and which would be attached to the Financial and Economic Section of the League of Nations. It was advocated that the I.L.O. should be represented in the Office by means of its officials or members of its Governing Body, so that its own work could be furthered by this advance.

The Supreme Council, in 1920, published a statement on the question of raw materials, when the I.F.T.U. had drawn its attention to the subject, advocating: the giving of credits to countries to enable them to get necessary raw materials; and that international economic co-operation in distribution was necessary.

In a 1920 I.L.O. Governing Body debate on this matter, a more radical workers' proposal, by Mr. Oudegeest, that the I.L.O. should urge the League to press the Government members to favour the distribution of raw materials, was only lost by 11 votes to 10.

On 25th October, 1920, Mr. Tittoni, Italian representative on the League Council, presented a Report on the question of raw materials; and demanded the formation of a Commission to study the problem and to present concrete proposals "with a view to preventing monopolisa-

tion of raw materials, either by States or by great international trusts, regulating the distribution of these materials and assuring to all States fair commercial treatment". He said that, in many respects, "raw materials are unearned commodities for peoples who hold them".

If the League wishes truly to attain its noble ideal of making Peace and Justice to reign in the world, it must force itself to diminish, as far as possible, inequality among nations.

The important place which economic relations have won in the world renders useless any equality which does not embrace these relations, and which would remain limited to political and juridical agreements.

It is evidently impossible to modify the geographical distribution of raw materials: minerals, vegetables and animals, are where natural action, climate and soil permit them. The caprice of nature constitutes one of the greatest injustices and an inexhaustible and poisoned source of dissensions, troubles and wars. A favourable climate, a productive soil are advantages which the lack of raw materials can annul. The abundance of raw materials increases, so to speak, the extension of territory and the development of the population of a State. A quantity of raw materials above what is necessary to the industrial development of a country, augments that country's commerce, as if its territory or its population were increased. Further, for certain raw materials, their value is especially determined by their scarcity and their existence in limited quantities: so that the country that withholds them profits not by its superior capacities of study or labour, but only by the penury of others. There is no régime of free competition, wherein intellectual and manual labour and capital discuss, in conditions often uniform, the respective reasons for their profits: on the contrary there is a real monopoly, for the countries which dispose of raw materials regulate the amounts for export and the prices in such a way as to raise the latter as much as possible.

It is evident that the fluctuations sustained by the amounts of raw materials offered to the countries in need of them render still graver the situation of those countries. A diminution of production, an interruption of work, a modification of freights, a slackening of the means of transport, becomes an ulterior cause of a rise of prices which renders the monopoly still heavier to

bear. Such oscillations can paralyse entirely branches of industry. Such natural and artificial causes combine to inflict harm.

But the danger and damage for the least favourably situated country become greater when advantageously situated countries seek to extend their monopoly to the raw materials of other countries, by swallowing them up through great capitalist trusts resting more or less openly on their country's diplomacy and realising scandalous profits.

The war, whose end was the triumph of justice in every domain, has resulted in creating in the economic domain flagrant injustices and in riveting better the chains of oppression that one had cherished the illusion of breaking.

Speaking in the ensuing discussion, Mr. Balfour paraphrased Mr. Tittoni's argument thus: "Raw materials found on a country's territory should, in all fairness, be considered as the common property of the whole world. They are the work of nature and man should not monopolise them." In conclusion Mr. Balfour said: "If the League has the hardihood to undertake the internationalisation of sources of energy, it will be unable to close its eyes to preceding considerations." The League, however, merely instructed the Economic and Financial Commission to study the matter.

The matter was brought to the 1920 Assembly (the first) and was referred to the Second Commission, where Mr. Tittoni indicated the growing internationalism of thought and fact in the matter. "Relations between countries must be ruled by economic justice as well as by political justice. Failing this, the League would frustrate the principles of fraternity and co-operation which have inspired its creation and which should govern its conduct."

The Commission's resolution was adopted by the Assembly eventually. Noting with satisfaction the Commission's resolution, it considered it indispensable that the Economic and Financial Committee should, as indicated by the Commission, continue its work without delay.

In the final Assembly debates a fine speech was made



by M. Schanzer, Italian delegate, who, accepting the resolution as a compromise, expressed Italy's sense of the great importance of the question.

The whole world must be regarded as one single, great economic system: and a policy of economic unity and collaboration is necessary to avoid the most serious and most appalling disasters. . . . Our voice is not solitary, we are not pleading this cause for selfish aims but in the highest interests of our fellow men. This cause is supported by a great number of workers' conferences and technical congresses.

The Economic Committee of the Provisional Economic and Financial Commission to which it was referred appeared to wish to shelve it till feeling was less disturbed about it.

The International Labour Office repeatedly asked the Secretary-General of the League for its opinion after the study; but only in October, 1921, did a reply arrive, suggesting that feeling had died down, and that it might be thought unnecessary to press for the International Statistical Office. In 1921, the International Labour Conference passed a resolution asking the Office to approach the League and to report to the next Conference on the social aspect of the distribution of raw materials.

The Economic and Financial Section of the Secretariat was instructed by the Economic and Financial Commission to collect available documents; and it asked Professor Gini of Padua University to examine the question.

Professor Gini drew up a general report and seven special reports—on cereals, wool, cotton, petrol, coal, iron ore and fertilisers. He indicated the permanent interest of this problem and suggested solutions: (1) the "nationalist" solution—every nation has a right to do as it chooses; (2) the "State" solution—a central organisation would acquire all raw materials and foodstuffs of the world and equitably distribute them in the common interest among the various States according to individual

States' needs; (3) the "Free Trade" solution—establish full freedom in international trade and economic relations between and within States.

About this time the International Federation of Trade Unions expressed itself in a similar way to the International Miners' Federation. It urged, in a resolution at an extraordinary International Congress, a rational organisation of production and distribution and transport; and

charged the office of the I.F.T.U. at once to prepare a project for the creation of an International Office for the distribution of raw materials, to be submitted immediately to the International Labour Office for execution. In order to promote an equitable and efficacious distribution of raw materials and by reason of existing and coming international economic conditions it is necessary that all peoples should adhere freely to the League of Nations.

Spurred by this resolution the League called for the Report of the above Commission and in 1921 Professor Gini submitted the fruit of his inquiry in connection therewith.

Among his conclusions Professor Gini said:

Economic considerations agree in demonstrating the inopportuneness of a policy which abandons the nations to the slow restorative work of natural forces. . . . One solution of the problem of distribution is the *étatiste*, according to which the whole world's raw materials and food supplies ought to be bought by a central organism and distributed equitably by it, in the general interest, between the various states according to the needs of each.

Commenting on the practical difficulties of this, he explained that, at the time, its advocates limited themselves to a demand for a statistical organism; but he pointed out that the control of raw materials and food supplies by the League would be made necessary if the League wished to have recourse to a blockade against States become its enemies. Thus such study was opportune, to find out how such an organism should be formed and should function.

The Economic Section of the Provisional Economic

and Financial Commission of the League in its report said:

In our view it would be impossible to obtain general assent of the producing and consuming states to entrust to an international organism the important functions which the project envisages; and the League has not the power to force its members to enter, despite themselves, into an organisation of this kind.

Professor Gini's views were not accepted by the Economic and Financial Commission, which sent different conclusions to the Council. It rejected the miners' demand; as

no scheme for international control of the distribution of raw materials could be operated without fixing prices and allocating supplies on some principle of rationing. In our opinion this necessarily involves international control of the whole internal life of the countries concerned. . . . There is no criterion by which an International Office could fix a reasonable ratio of any raw material to be allowed to any country, except either on the basis of previous consumption (which would stereotype the existing distribution of industry) or on some arbitrary estimate of needs which would empower the International Office to limit the future industrial development of all the States Members of the League.

The Commission, however, favoured the idea of forming an organisation to collect statistical information. Finally, in general it supported the "liberal solution" mentioned by Professor Gini—the idea which, incidentally, has been the curse of the economic work of the League since its start.

The scarcity of raw materials was thought by the time of the Third International Labour Conference to be only an indirect cause of unemployment, so the question was made to appear less urgent.

The Genoa Conference had before it the problem of raw materials partly owing to a resolution adopted by the International Federation of Trade Unions Congress at Rome. "It is necessary to organise internationally the control and distribution of raw materials indispensable to industry and agriculture in order to

place these raw materials out of reach of private speculation."

The Conference sent the question to the Economic Commission which referred it to a Sub-Commission, before which the Russian Delegation urged the necessity of systematic and organised distribution between all States which should be inseparable from the distribution of gold also proposed. All the Conference did in the end was to adopt a resolution advocating abolition of import and export restrictions or prohibitions, and admitting the right of States freely to dispose of their natural resources.

Demands for League action then became less insistent, until the present crisis emerged; although resolutions were adopted by international bodies from time to time, for example by the Twenty-third International Peace Congress, Paris, 1925, and the Twenty-sixth International Peace Congress, held in Warsaw in 1928. The latter passed Resolutions dealing with the economic organisation of peace. It expressed a desire that the Economic Conference should again deal with the question of the equitable distribution of raw materials; and, seeing in the renewed increase of private economic international cartels and trusts which extend to various countries, no sure means tending to the economic organisation of peace, advocated international control from the social and economic points of view, such control to be under League auspices. It also renewed its request for the setting up of an international economic organisation on the lines of the I.L.O. Since this early post-war period a number of writers had drawn attention to the importance of this problem. For example, M. Maurette, later Assistant Director of the International Labour Office, in the *Année Politique*, December, 1926, advocated the creation of an office under the League to regulate the distribution of raw materials. Two American writers have emphasised the fundamental character of this task :

The task of supplying the world with raw materials is seen to

be a great co-operative undertaking. No civilised person lives whose daily activities are not linked by the continuity of economic processes with the lives of people who have strange customs and different languages.<sup>1</sup>

In a later chapter are outlined further efforts to develop action for international control of the distribution of raw materials, with particular reference to the practical experience of certain countries in regard to certain important products.

#### WORLD INQUIRY INTO PRODUCTION

This movement for international direction of economic forces received powerful support from another quarter. The grave economic crisis of a world nature experienced in the early post-war years led the International Labour Office to institute a "World Inquiry into Production," which was entrusted to Professor Edgard Milhaud, and five remarkable volumes appeared in French, 1923-5. This searching analysis of the roots of modern world problems was resented by the Employers' Group of the I.L.O. Governing Body, so that very inadequate use of this invaluable documentation has been made. The work concludes with these words :

All these movements are derived from a common source. In the course of years—during a century—increasingly intimate economic ties have bound the peoples together. National economies have become more and more interdependent. By their side, above them, or, to speak more truly, between them, a world economy has been forming itself and the common problem to which all these different problems return can be formulated thus: to give to the world economy its statute.

#### THE ECONOMIC ORGANISATION OF PEACE

Parallel with this movement in favour of international action in regard to raw materials there developed a demand for international action on general economic questions as a firm basis of peace.

At the Inter-Allied Labour Conference at Leeds, in

<sup>1</sup> H. B. and L. W. Killough, *Raw Materials of Industrialism*, 1929

1916, a resolution was adopted as to clauses relating to workers to be inserted in the Peace Treaty. It demanded that this Treaty should put labour beyond the menace of international capitalist competition, and assure the workers of all lands minimum moral and material guarantees regarding the right of work, the right of association, social assurance, the length of the working day, etc.

Two early contributions to the great stream of opinion which led to the formation of the International Labour Organisation emphasised the necessity of international economic activity as the guarantee of a durable peace.

In 1919, two workers' conferences at Berne, one representing Trade Union and the other Socialist organisations, adopted an international labour charter and demanded that the League of Nations, to assure peace, should develop its activity in the economic sphere. The Socialist resolution said, among other things: "The League of Nations must be able to develop an organism destined to control world production and distribution of food supplies and raw materials, so as to ensure the world's maximum production." The Trade Union resolution said, *inter alia*:

The task of the League of Nations is not only to establish political agreement, but especially to create economic agreement between peoples. Thus conceived, the League of Nations will be a step forward, especially if the economic bases of the League include the rational and scientific organisation of labour, international protection of the worker, international distribution of raw materials and internationalisation of the means of transport and international exchange.

In 1919, a memorandum by Professor Charles Gide was addressed to the French Government by the National Federation of Consumers' Co-operative Societies, before the Peace Conference. This outlined the idea of a pacific collaboration of the peoples with a view to "organising world production as economically as possible, so as to utilise all the earth's resources and the capacities of each nation in the best interests of all".

At the 1921 Co-operative Congress at Basle, a resolution was passed, on the proposal of M. Albert Thomas, member of the Central Committee of the International Co-operative Alliance, in which appeared the following:

The Congress is convinced that commercial relations between co-operative organisations of various countries not only can remove for the general well-being the grip of the middleman, but also can prepare effectively the bases of a world economy, from which the spirit of war and competition would be excluded. It recommends with this in view the establishment of direct relations between one country and another as well as within each country, between organised consumers and associations of agricultural producers, and counts on the central organs of the International Co-operative Alliance to extend their recruitment to all co-operative organisations in the world.

In 1925, the French Parliamentary Week of Co-operation at Paris and the Congress of the National Federation of Consumers' Co-operative Societies voted a resolution along the same lines, on the proposal of Professor Edgard Milhaud.

In 1925, at Paris, the Twenty-third International Peace Congress voted a resolution, again on the proposal of Professor Milhaud, calling on the League of Nations to place on its next agenda the economic organisation of peace. It affirmed that it was of the utmost importance in the interest of peace, of the common well-being of all peoples and of the advancement of civilisation, that the world, as soon as possible, should get out of the existing economic anarchy and that the international division of labour and international exchanges should be able to develop as widely as possible in a régime of free and fruitful economic co-operation of all peoples, each contributing to the common work all the resources of its soil, its race and its civilisation. It demanded international arrangements regarding distribution of raw materials, markets, transport, exchanges, colonies, international displacements of labour and mandated areas.

For the realisation of such a policy the Congress demanded that the League of Nations should organise

at once an international statistical office to collect and publish at frequent intervals all useful information regarding production, provisioning, and the requirements and supply of capital of the different countries. It also demanded the use of all existing forms of national and international organisation of production and exchange, especially the various forms of the co-operative movement and industrial Agreements, and the taking of all possible measures in regard to the functioning of the latter to safeguard general interests by the institution of a national and international collective control, in which the various workers' organisations would be associated and which would exercise permanent control from within.

The Congress welcomed the recent creation in several countries of national economic councils and the promise of others. It considered that for the indispensable task of international collaboration such councils should be instituted in all countries, created with the help of the great organised economic forces, industry, agriculture, commerce, credit, labour, consumption. An international economic commission should be set up, whose administrative framework would be formed by the Secretary-General of the League and the International Labour Office.

Thus, the resolution continued, the world economy which has been binding the peoples by closer and closer ties, and has created between them an absolute economic interdependence, would find the necessary organ for the co-ordination and continuity of its functions, as well as the liberation of the world from the grip of financial powers which lead it periodically from crisis to crisis and from antagonisms to conflicts.

It is in this atmosphere of organised co-operation, it is by general economic Agreements on all vital questions, such as distribution of raw materials, migratory movements of labour organisation of markets, that at last by ever-increasing intimate ties between the European nations tending to the establishment between them of



a customs' union humanity will be able to settle down to work in security and peace.

In 1924, before the Third Commission of the Assembly, organised labour's representative, M. Léon Jouhaux, of France, had the honour of taking the initiative in demanding the economic organisation of peace. He urged that peace would be impossible while economic disharmony and conflicts were allowed to exist; and said that he saw in the work of the Commission the point of departure for the creation of the International Economic Council, of which the working masses had conceived the idea, and which would in time be seen to be necessary for the definitive organisation of economic relations and peace between the peoples.

In the Assembly itself, M. Paul Boncour, the French Socialist, urged the necessity of extirpating the economic causes of war, praising M. Jouhaux's contribution.

One day [he said] the League Assembly will have to deliberate on the grave problems of raw materials, markets, questions of immigration and emigration, financial and economic organisation—when the League rests on a greater basis of security—without the solution of which, let there be no illusions, the work that we are building will be ruined by internal upheavals. On that day, truly, the world will replace the hope with which it now turns to the League by a great cry of rejoicing.

M. Briand, first French delegate, generally supported the idea, and promised the collaboration of France, whose work in this direction has been the great inspiration of the movement towards the partial realisation so far attained.

At the Sixth Assembly, in 1926, M. Painlevé, head of the French Government, in his opening speech as President of the Council, recalled the previous year's speech of M. Jouhaux; and said that if we let economic forces unchain themselves in all their brutality, if we did not moderate them by rational means inspired by the international spirit, such violent outbursts would occur

one day that they would break all conventions and let loose further war.

During that session a resolution proposed by M. Loucheur on behalf of the French delegation, invited the Council to call a conference to seek a solution to economic difficulties and prepare the way for the economic co-operation of the peoples and for peace. This was the origin of the 1927 Economic Conference.

A Preparatory Technical Committee of 37 members from 22 States was appointed by the Council. The members were not composed of Government or organisations' representatives, but of technical experts.

#### FIRST LEAGUE STEPS

Already the League had taken the first steps in the direction of world economic co-operation by calling the Financial Conferences, held at Brussels, in 1920, and at Genoa, in 1922. The Brussels Conference (24th September–8th October, 1920) dealt mainly with financial questions. Its members represented thirty-nine countries, including the U.S., Germany, Bulgaria, Austria and Hungary, none of which countries was then a Member of the League.<sup>1</sup>

The League Council had in mind the possibility of an international loan secured by mobilising German reparations payments in order to set in motion the machinery of international credit; but this proved impossible as the Allies and Germany had not agreed as to the figure of reparations payments. The Conference discussed, *inter alia*, monetary policy, the rôle of Central Banks and many aspects of public finance. It urged: that trade should be freed from all kinds of restrictions, and that the essential unity of European economic life should not be impaired by the erection of artificial economic barriers. It asked the Council to consider setting up an international organisation to be placed at the disposal of States desiring credit to pay for essent-

<sup>1</sup> It was the first post-war International Conference at which ex-belligerents met to promote common interests by co-operation.

tial imports, the possibility of bonds used as collateral security carrying some international guarantee and the extension on international lines of the system of export credit insurance. This Conference led directly to the creation of the Economic and Financial Organisation of the League. Soon after its termination the Council appointed a temporary Economic and Financial Committee, which later was made permanent and split up into the Financial and Economic Committees. When the Financial Committee met it decided that changed conditions had made it unnecessary to execute the proposals regarding credits, as loans could more easily be raised.

The Genoa Conference (10th April–19th May, 1922) was the first general post-war European Conference. The dominant issue was the renewal of relations between Russia and the rest of Europe. Economic and financial questions were approached from the economic reconstruction standpoint and no longer purely from that of reparations.

The Second Commission of the Genoa Conference called for continuous co-operation among Credit Banks of issue or banks regulating credit policy in the several countries. The Bank of England was left to call a meeting of Central Banks as soon as possible, to elaborate an International Convention regulating the banks' reserve policy, in order to avoid a "struggle for gold", and hence considerable fluctuations in the purchasing power of gold. This Conference did not materialise.

#### THE WORLD ECONOMIC CONFERENCE, 1927

The most important work performed by the League during the first seven years of its life was the preparation and holding of the World Economic Conference, at Geneva, in May, 1927; which assembled representatives (194 members and 157 experts) of 50 nations, drawn from economists, technical and business experts, labour, trade union and co-operative organisations. Unproductive of immediate practical results, it nevertheless

accumulated a mass of valuable information and focussed the attention of public opinion upon the importance of its considerations. Its President stated at its conclusion:

We have passed an important resolution stating our unanimous conviction that the maintenance of world peace depends largely upon the principles on which the economic policies of nations are formed and executed; and that the Governments and peoples of all countries should constantly take counsel together as to this aspect of the problem.

It asked the League's Economic Organisation to promote international agreements regarding the terms, methods and scope of industrial statistics employed and to collate information provided as to raw materials, production, etc.

The Report of the Conference did good work in emphasising the dangers of economic nationalism; but, amid a mass of detailed plans for securing the reduction of tariff barriers, it merely petered out into a weak plea for a return to what has been termed "Free Trade". The Conference refused to accept the proposal contained in the declaration of the joint meeting of representatives of the Labour and Socialist International and the International Federation of Trade Unions, which

called for a new inter-state world economic order, including the supervision of international monopolistic combines, to protect consumers and workers by a permanent international office, supplemented by offices within the separate States;

and

urged that its demands for intensified international economic co-operation necessitated a permanent Economic Office, composed of representatives of States, consumers and producers, with labour and employers equally represented.

To some extent M. Loucheur supported this plea: he confessed that a return to International Free Trade was undesirable, and declared that the desirable, unchecked international division of labour should be secured by private international agreements between

national industries, allowing production to be carried on where national conditions were most suitable. In addition to injecting workers' and consumers' organisations into these arrangements, he wanted the establishment at Geneva of a controlling and regulating official organism, the germ of European economic unity.

Probably the most significant discussions which took place within the Conference related to industrial combinations, the most prominent feature of recent industrial development. Even before the war a number of international combinations existed in such industries as Atlantic shipping, steel rails, incandescent lamps; and "Liefmann states that, so far as he is aware, there were by 1914 about a hundred international cartels",<sup>1</sup> together with the American Trusts, e.g. Standard Oil Company and the Beef Trust, with their world influence, due to their monopoly or their conditions of production. According to Mr. H. B. Butler,<sup>2</sup> by 1930 international organisations had been formed or were under negotiation in twenty-two branches of industry; and practical and powerful bodies like the International Chamber of Commerce hold that this tendency springs from the very nature of the existing economic situation. "Modern trade has become so international that it is not surprising that a considerable number of international organisations have been organised."<sup>3</sup>

Participation of Soviet Russia's representatives in the work of the Conference was highly interesting. On this point M. Sokolnikoff declared that, although international combinations were a source of exploitation of the workers, Russia was willing to take part in international cartels and had already concluded agreements with such bodies for the sale of flax, oil, platinum and matches.

<sup>1</sup> Quoted by Wm. Oualid in *The Social Effects of International Industrial Agreements*, presented to the World Economic Conference, 1927.

<sup>2</sup> Address to Manchester Statistical Society, 12th March, 1930.

<sup>3</sup> Report of Balfour Committee on Industry and Trade, issued 15th February, 1927.

#### ECONOMIC CONSULTATIVE COMMITTEE

The report of the Conference merely urged the League to follow closely these developments and to supply the best possible statistics and publicity in collaboration with the various Governments. An Economic Consultative Committee was set up to give effect to such recommendations as the Conference made. It was appointed mostly by the League Council. Some members represented the Economic and Financial Committees of the League, the International Labour Organisation (in a personal capacity), the International Institute of Agriculture and the International Chamber of Commerce. It came to include representatives of industry, commerce, agriculture, finance, employers' organisations, organised labour and the co-operative movement. The Chairman of the Governing Body of the I.L.O. has taken part in its work.

The Economic Consultative Committee held its first meeting in May, 1928. It called for a special study by the Economic Organisation of Economic tendencies affecting the peace of the world—on the motion of Mr. Pugh (Great Britain), whose resolution was supported by a memorandum adopted by the General Council of the British Trades Union Congress and the Executive of the British Parliamentary Labour Party, proposing a permanent international organisation by the development of the Economic Organisation of the League broadly along similar lines to the International Labour Organisation. It recommended that the Economic Organisation should make full inquiries into the problems of coal and sugar to enable appropriate international action to be taken if thought fit. It also suggested that the League should examine the most suitable means for ensuring that direct relations might be established and developed between producers' co-operative societies and consumers' co-operative societies in various countries, in accordance with the Resolution passed by the Economic Conference.

The second meeting was held in May, 1929. It had

to lament the fact that its work in the direction of limiting tariff barriers had borne little fruit. At the 1927 Conference, in the Sub-Committees where important Resolutions were adopted, recommending agriculturists to combine in credit co-operatives, pointing out that international action in such a matter would have to be based on national organisation, and calling attention to the importance of co-operative marketing and co-operative buying as a means of increasing the purchasing power of agriculturists both as producers and as consumers and of eliminating unnecessary middlemen, a proposal was made for the establishment of an international credit institute for agriculture; but it was considered premature in view of inquiries being made by the International Institute of Agriculture.

In January, 1930, the Council provisionally fixed for 2nd May, 1930, the Third Meeting of this Committee; but this was not summoned. In September, 1930, the Council postponed the revision of the Committee's composition till September, 1931, as it was hoped to hold a meeting of the Committee in 1931. In January, 1931, the Council decided to hold it before the following summer. In May, 1931, the Council postponed this meeting until the autumn of 1931 and extended the Committee's Mandate until January, 1932. In January, 1932, the Council postponed to a later session the question of revising the Committee's composition.

It is a huge pity that this organ, the nucleus of future international economic control, has not been developed.

#### WORKERS' AND I.L.O. COLLABORATION IN THE WORK OF THE ECONOMIC CONSULTATIVE COMMITTEE

At the 1927 Conference proposals were made that the League Economic Organisation should be set up on the principles of the International Labour Organisation, which should have a measure of control. M. Jouhaux demanded the creation of an autonomous organisation, comprising a consultative body, whose members would

be appointed by the Governments, and an international economic council of eighteen members, twelve nominated by the League Council, six being chosen by the I.L.O. Governing Body in equal proportions for the workers and employers groups.

MM. Baltrusch, Serrarens and Pugh made similar proposals; but the Conference, being composed of orthodox economists, industrialists and financiers, was hostile to this plan. Then, in the Co-ordinating Commission, those who wanted a radical economic organisation demanded, through M. Oudegeest, that the application of the Conference's decisions should be left to a Committee, including workers and economic interests. This also was rejected.

In 1927, the Assembly decided that, in the Consultative Committee, there should be representation of the International Institute of Agriculture, the International Chamber of Commerce and the International Labour Organisation; but the Council only appointed three workers' members of the International Labour Organisation in a personal capacity (like other members)—and they can be removed. Thus, official collaboration with the International Labour Organisation was repulsed.

#### CONFERENCE ON ECONOMIC STATISTICS

As foreshadowed by the 1927 Conference, in 1928 an International Conference on Economic Statistics was held in Geneva, in which Russia and America participated; and a useful Convention was drawn up providing for agreements regarding the scope of national economic statistics and the application of agreed methods of compiling statistics of international trade.

Though not a spectacular development, this represented an important step in paving the way for future closer collaboration of the States, by working for the provision of facts about the economic position of each State—without which further co-operation will be impossible. To carry out the terms of the Convention, the



Council appointed a Committee of Experts, on which the I.L.O. is represented. So far it has worked mainly on trade statistics. In 1934-5 it elaborated a system designed to enable a more accurate tracing of the movement of certain classes of goods of special importance in international trade; and drew up a complete classification of commodities for use in international trade statistics. As adopted by Governments it will help forward the necessary knowledge of the evolution of trade and of the broad changes in economic tendencies, as a basis for fuller international co-operation. In June, 1935, it helped to trace the general lines of work of a Sub-Committee on Tourist Statistics, which met, in November, 1935, at Geneva; where another Sub-Committee on Mining and Metallurgical Statistics also met, in November, 1935, to prepare for studies by the Committee of Statistical Experts.

#### THE LEAGUE AND THE COAL PROBLEM

In one industry the terrible experience of recent years has pushed very far the demand for international action to control and organise its life. The 1928 meeting of the Economic Consultative Committee, impressed with the serious position of the coal industry and the importance of the international factors involved in this problem, recommended, in the interests of producers and consumers alike, that the Committee should invite the Economic Organisation of the League to take up inquiries started and to supplement them as soon as possible by getting such advice as it deemed advisable, as suggested by the Economic Conference. On the report to the Council the latter should decide if concerted international action could help to solve the problem. The Economic Committee then appointed a delegation of its members to have a "preliminary technical and economic consultation of coal experts in order to verify the documentary material already collected and to extend it in certain directions which are of particular interest". Separate consultations were held with employers' and

labour technical experts—the latter named by the International Labour Office. Technicians were consulted from 8th to 12th January, 1929; and workers' experts, suggested by the I.L.O., from 27th February to 2nd March, 1929. It was generally agreed that the problem was "international in character"; but no effective action has yet been taken. The miners' representatives, of course, urged action to secure international regulation of production and distribution by means of an international organisation within the League, representing consumers as well as workers, and an attempt to secure an agreement to equalise labour conditions in the various producing countries. The Economic Committee reported to the Council, which reported to the 1929 Assembly. This urged continuation of consultations. A joint hearing of experts acquainted with the views of workers' and producers' organisations (including representatives of consuming countries) was held from 30th September to 3rd October, 1929. At this meeting consideration was given, *inter alia*, to the appointment of an international organisation representative of the interests of Governments, employers, miners, merchants and consumers; and the conclusion of international agreements between producers concerning output, markets and prices. In July, 1929, the Economic Committee decided that in dealing with any aspect of the coal question there should be permanent collaboration between the Economic Organisation of the League and the International Labour Organisation. In June, 1929, a searching and powerful interim report was published by the League.<sup>1</sup> Proposals for an international organisation of the coal industry were put forward by the British Miners' secretary, with the support of the miners' international body. It was suggested that there should be, without delay, an international agreement setting up machinery to control coal output, exports and prices. For that purpose a controlling authority would be appointed, representa-

<sup>1</sup> *The Problem of the Coal Industry Interim Report on its International Aspects*, by the Economic Committee of the League of Nations

tive of the mine-owners and the miners; and the consumers' interests would be watched by a Standing Committee of the League consisting of representatives of Governments and consumers.

At the International Miners' Conference, at Nîmes, in 1929, the French miners proposed a resolution advocating control of distribution by an International Fuel Bureau operating under a consulting committee of the League, the Bureau to consist of representatives of Governments, employers and workers.

Eventually a resolution was passed to request the I.L.O. and the Economic Organisation of the League to convoke a world conference of those countries which produce coal, stating that the International Committee of Miners should nominate delegates thereto, who should be on an equal footing with other delegates and represent the miners' policy. Further, the 1929 Assembly, on the initiative of the British Government, instructed the Council to ask the Governing Body of the I.L.O. to put the question of the equalisation of conditions, of hours and wages, in various countries on its 1930 Conference agenda. The I.L.O. Governing Body arranged, early in 1930, a Technical Experts' Preparatory Conference, representing Governments, employers and workers, to decide how most usefully to carry out the Assembly's wish. The Governing Body decided, after the meeting of the Preparatory Technical Conference, to place this question of coal conditions of work on the agenda of the 1930 Conference. At this Conference the I.L.O. was unable to secure a Convention on miners' hours. It was made clear that no solution was possible which did not envisage a larger control of economic factors of production and distribution. Since then the I.L.O. has sought to produce a satisfactory agreement on miners' hours of work.

The International Miners' Federation, at its 1930 Cracow Congress, renewed its demands for international regulation of production and sale of coal along the lines suggested by it to the League. In January, 1930, the

Council approved the continuation of the inquiries; and, more particularly, the consultation of official representatives of mining administrations which, it said, would thus be brought into direct touch with mine-owners, workers and representatives of consumers. The delegation of the Economic Committee received a delegation from the International Miners' Federation on 18th June, 1931. The Committee decided to plan an early consultation with experts representing all factors of production and the Governments most directly concerned; but to see what the organs set up by the Commission of Inquiry into European Union would have to say. At its Fourth Congress, in May, 1931, the International Federation of Christian Miners urged the Council to instruct the Economic Committee to resume the efforts for international regulation of the coal industry.

An Economic Committee delegation consulted coal experts representing all factors of production, in Geneva, on 11th January, 1932. Unanimously they proclaimed the necessity of international agreement. In embodying their recommendations in a report to the Council the Economic Committee gave an historical survey of the idea of international agreement, and emphasised the necessity of remedying the chaotic state of distribution and regulating competition between producers; the preliminary necessary condition of national organisation; and the advisability of informing consuming countries in advance of any arrangements made. The Committee drew attention to the conclusions that might be drawn from the London Conference of mine-owners (13th September–1st October, 1931), at which the general lines of a plan of international organisation were set forth. In view of the progress in national organisation it urged the taking of steps to overcome the crisis and asked the Council to bring to the various Governments' notice the gravity of the situation. This the Council did, in January, 1932; welcoming the progress of national organisation and the possibility of a solution on an international basis.

This question also came before the Monetary and Economic Conference.<sup>1</sup>

With the personal collaboration of the Director of the I.L.O. the Economic Committee, at its Forty-Second Session (29th April-4th May, 1935), considered a request from the International Miners' Federation and from the Governing Body of the I.L.O. for the organising of an international meeting on the coal problem, of the kind contemplated by the Monetary and Economic Conference. It decided that a meeting could not be called.

Progress, however, has been made in the international organisation of the coal market. As a result of the London Conference's appeal to coal-producing countries, the United Kingdom mine-owners, in December, 1934, agreed with Polish owners to regulate coal sales and prices in export markets. To enable this to bear its full fruit efforts have been made to extend it to other exporting countries. Private negotiations in 1935 sought to bring Germany within the scope of the Anglo-Polish Pact; but exceptionally artificial conditions in Europe, especially owing to the Italian situation, prevented this happening. An international conference of coal-owners of seven countries had been held, in London, on 30th September and 1st October, 1931.

Such is the situation after seven years of League inaction and tragedy for the miners.

#### OTHER ECONOMIC ACTIVITIES OF THE ECONOMIC COMMITTEE AND THE ASSEMBLY

Important consultations and discussions on other industries and economic questions have taken place in the Economic Committee and the Assembly during the past seven or eight years. For example, experts have been consulted in regard to sugar, wheat and other agricultural questions, timber, hops, automobiles, industrial agreements and tourism. Studies have been con-

<sup>1</sup> See p. 90.

ducted on economic tendencies likely to affect the peace of the world, the main tendencies of State intervention in economic life, and compensation and clearing agreements.

On several occasions the Economic Committee has considered the problem of sugar. In 1928, the Cuban Government suggested that the League should call a Conference. The Dutch Government expressed readiness to take part in a League investigation. In January, 1929, the Committee concluded that the world sugar problem was one of lack of equilibrium between production and consumption; but it held that it would be contrary to the rôle of the League to interfere with the natural development of production!! It appointed a delegation to confer with experts from producing and consuming countries, in April, 1929, to see what international aid could be given to the industry. At this consultation the possibility of stabilising production for several years and of joint measures to increase consumption was discussed; but the Economic Committee decided that it could take no initiative and assume no responsibility. In May, 1929, an Economic Committee delegation consulted experts on sugar-beet production, at which consultation information about Government measures taken in regard to production and the desirability of League action in regard to the sugar industry were discussed. Many experts thought that a central bureau for collecting and disseminating information should be established. Thereupon, in July, 1929, the Economic Committee decided that the difficulties would either resolve themselves automatically or be removed by those responsible for the direction of affairs. It agreed at the same time to follow the situation so as to enable the Council to judge whether concerted international action could further the solution of the sugar problem. Later in 1929 the League published the report of the Committee of Experts' inquiry into this industry.

In October, 1929, the Economic Committee decided, with the assistance of the President of the International

Institute of Agriculture, to appoint agricultural experts; and drew up a list thereof. It decided, also, that a delegation of the Committee, early in 1930, should consult, together with two representatives of the International Institute of Agriculture, agricultural experts from numerous European and Oversea countries, including the U.S. This consultation was held on 6th-9th January, 1930. The experts urged the necessity of a rational organisation of the agricultural market and advised a study of the methods employed, especially by means of co-operative societies, in various countries. They also considered that, after the inquiry by the International Institute of Agriculture into the mechanism of international agricultural credit, there should be an inquiry on a larger scale into the possibility of organising agricultural credit on a national basis.

At the Session of the Agricultural Experts' Committee, Dr. Lauer (Swiss)<sup>1</sup> proposed for agriculture the heroic remedy of purchase by the League of all excess production; the League should keep stocks and manufacture alcohol, etc. He proposed the marketing of products by large agricultural associations with Governments' co-operation; as it would be of little use for farmers to go on working without an international organ to market agricultural products and enable them to hold their own with cartels, trade associations, etc. Competition had failed in fixing prices. Millions of isolated units were helpless. State aid was needed to fight non-agricultural industries and fix a just price.

Dr. Lauer referred with appreciation to the Norwegian cereals' monopoly, the Swiss measure regarding the supply of cereals, the Canadian and other pools, the Danish organisation of agriculture, the Swiss dairy federations, the Swiss Union for the sale of cheese, the Hungarian preparation for a monopoly for export of cereals, and the official United States' and French measures to aid agriculture. A start could be made with one product: and the League puts cereals first. The

<sup>1</sup> Director of Swiss Peasants' Union.

surplus could be converted to alcohol and industrial power. There should be an interim agreement of exporters of benzene, etc., to take a percentage thereof. The import of cereals for bread and taking over of home-produced cereals should be in Government hands. Governments could control exports also. A special international commission should fix prices of cereals for distillation, lower than the price for feeding cattle.

In countries with no imports the Government should sell to millers at the average price. The League organisation would not be necessary for them; only for exporting countries to eliminate over-production. The loss in turning into alcohol should be borne by the countries in proportion to the amount of cereals imported. State banks, private insurance companies and banks should have to invest some funds in mortgage bonds, at a rate fixed by international agreement. There would be a co-operative loan fund with joint liability. This scheme would give correlation of national exports and imports in State or co-operative hands.

Dr. Lauer urged the importance of national and international public intervention. The State should take all bread cereals at a price based on cost of production. There should be a State Imports' Monopoly. An International Agreement should fix the rationing and distribution of bread cereals used in international trade and excessive stocks should be distilled; a guaranteed price, therefore, would be assured to farmers for bread cereals.

An international union of pools—of which there would be one in each country, with an export monopoly—should allocate cereals and exports and fix prices.

There should be a League of Nations' office for utilisation of alcohol. The trade should occur only through pools. Costs to the League would be covered by a tax on international trade in cereals. When pools were over-stocked or the sale price was low, it should take stocks at a fixed price as reduced by the International Commission. The office must convert to alcohol. It



could take stock in advance, but the pools could demand re-sale to them.

The agricultural experts met again in January, 1931; and discussed the question of Government intervention in the trade in agricultural produce. The 1935 Assembly recommended that the Economic Committee should resume consultations with agricultural experts.

In 1929, the Economic Committee considered certain economic aspects of international industrial agreements. A Committee of Industrial Experts appointed by it met on 23rd June, 1931, and decided to plan a report thereon. One of its reports contained studies on a dozen of the chief international industrial agreements. Another general report gave its views on the economic aspects of such agreements.

On 22nd–24th February, 1932, a meeting of experts on hop production and trade, convened by the Economic Committee, was held at Geneva. The experts unanimously agreed that an endeavour should be made to adapt production to consumption. They advocated restriction of production; but also, on the other hand, an ending of chaotic production. The industry must not be allowed to develop along its own lines in each country regardless of world market conditions. Producing countries should co-operate. They advocated the creation of an International Hop Centre, to study matters with the International Institute of Agriculture: its basis might be found in the Central European Hop Bureau.

An Economic Committee delegation consulted timber trade experts from 25th to 27th April, 1932. They deplored the lack of balance between production and consumption. The experts from northern countries decided to call a meeting of exporting and importing countries at Vienna, on 9th June, 1932, to fix distribution and import quotas. The agenda also contained a French plan for creating an international timber trade office to regulate trade between exporting and importing countries.

An Economic Committee delegation consulted automobile industry experts on 30th May, 1932.

A meeting of experts on tobacco questions to consider possible international action on behalf of producers in South-Eastern Europe, met at Geneva, 21st–25th March, 1933. It was appointed by the Council at the request of the Commission of Inquiry for European Union and of the Conference of Stresa. The Bulgarian, Greek and Turkish delegations stated that their producers had arranged to create a common office to study tobacco questions, as contemplated at the Istamboul Conference, in May, 1932. The experts envisaged the creation of stocks in each of the three countries, to regulate the market; and the establishment of a fund in which, this Committee of experts indicated, purchasing countries might participate.

On 10th–17th May, 1933, at Geneva, the Economic Committee consulted wheat experts representing the chief overseas exporting countries. They considered the possibility of limiting production and, if necessary, export. After consulting their Governments these experts met in London, on 29th May, 1933.

In May, 1935, the Economic Committee decided to put the question of tourist traffic as a factor in international economic affairs permanently on its agenda, and to consult experts, chosen mainly from directors of the chief national tourist offices and representatives of big international organisations concerned with such tourist problems—with representation of the Communications and Transit Organisation on this Committee. The Sub-Committee of Experts on International Tourist Traffic of the Economic Committee met, at Geneva, in October, 1935, and considered a Secretariat report on "Tourist Traffic as an International Factor".

In collaboration with the "Institut International du Froid" the Economic Committee, since the Monetary and Economic Conference, and at its request, has studied certain scientific and technical aspects of the problem of the international regulation of the meat trade.

All this activity led to no positive action; but numerous pious declarations of policy have been made. The Economic Committee and the Assembly also have discussed other important economic questions. Thus the Second Committee's Report to the 1931 Session of the Assembly welcomed the establishment of the International Agricultural Mortgage Credit Company and the possibility of creating a short-term agricultural credit institution. It thought it desirable to contemplate the execution of large public works undertaken jointly by public or private bodies in European or extra-European territories, as a measure of international solidarity; and welcomed the examination being made by League organs. It asked for a continuation of the study of economic tendencies liable to influence world peace, initiated by the Economic Conference. It urged the Economic Committee to go ahead with its consultations regarding certain branches of production; and pressed the Council to see that special attention was given to the various public works' programmes. The Council called for the necessary action on the above matters; and asked that the Committee of Inquiry of the Transit Organisation should examine concrete proposals for international co-ordination of public works. As asked by the Assembly, the Council called for a study by the competent League organs of the Francqui Plan. At its meeting from 26th to 29th October, 1931, the Economic Committee emphasised that Public Authorities in various countries had had to intervene in important spheres of commercial and financial activity, principally in relations with foreign countries, monopolising or controlling the trade in foreign currencies and exchange, on account of the crisis. It did not indicate, however, the significance of this intervention.

The Economic Committee, at its meeting on 2nd-4th June, 1932, observed that no country could improve its economic situation simply by unilateral measures. It urged inter-State co-operation in monetary and financial questions and the necessity of a courageous

policy openly directed towards international co-operation and co-ordination of effort. It observed that thirteen countries had controlled foreign exchange dealings, seventeen had introduced import quotas, licences or permits, two covering the whole volume of imports. Esthonia and Persia had instituted an import monopoly. Two countries had adopted export licences for specific wares and one country for all wares. It stressed the fact that fourteen countries had concluded agreements for exchanges of specified products on a barter basis, while twelve countries had resorted to compensation or clearing Agreements, which avoided direct payment for goods exchanged.<sup>1</sup> It regretted that the agreement on the coal industry contemplated at the meeting of experts in January, 1932, could not be concluded.

The 1933 Assembly, on the report of its Second Committee, declared that lasting improvement in the world's economic situation could not be effected unless States were ready to abandon the system of closed national economies.

At its meeting from 17th to 19th July, 1934, the Economic Committee considered, *inter alia*: information about the main tendencies of State intervention in economic life; resolutions on economic questions adopted by the "Seventh Pan-American Congress"; and the work on the co-ordination of the production and sale of various commodities, on which the Monetary and Economic Conference had suggested that further action should be taken. The 1934 Assembly expressed the opinion that no country could pursue a successful economic policy without taking into account the policies of other countries; unless its sole object was complete economic isolation. It declared unanimously: that if the policy of combating the effects of the general depression by an ever-growing number of autonomous economic or financial measures was not checked or canalised, international economic relations would be further seriously imperilled; and that the League should continue to study

<sup>1</sup> See the Economic Committee's Report to the Council.

the possibilities of common action in the field of economic relations. It accepted a French proposal to inquire into the causes, scope, methods and results of compensation and clearing agreements, including an examination of agreements concluded and the working of organisations set up to provide for their execution. It also considered the efforts made by the Economic Committee, in collaboration with the Bureau of the Monetary and Economic Conference, with a view to a better co-ordination of production and sale of various important products.

A Mixed Committee of members of the Economic and Financial Committees considered the question of compensation and clearing agreements and published in 1935 its report;<sup>1</sup> in which it explained that under a clearing system currency is abolished as an instrument of international exchange, payment of claims by one side or the other being made by means of set-off transactions. It emphasised the disadvantages of the system; but also stated that it had helped to prevent a more serious collapse of trade and showed a tendency to become universal. The report advocated the old *laissez-faire* view that the solution was the abolition of all foreign exchange restrictions; but offered no positive, constructive alternative. The negative belief in *laissez-faire* still inspired these deliberations. The report adopted by the 1935 Assembly on Economic and Financial Questions, presented by the Second Committee, dealt mainly with clearing agreements, agricultural protectionism and the present phase of international economic relations.<sup>2</sup> The first two questions, and others that came before it, are dealt with elsewhere. The Economic Committee's report on the last question was endorsed by the Second Committee, which emphasised:

<sup>1</sup> *Inquiry into Clearing Agreements*, published by the League Secretariat, 1935.

<sup>2</sup> See *Report of the Joint Committee for the Study of Clearing Agreements*, Doc. C 153 M 83 1935 II B; Economic Committee's *Report on Agricultural Protectionism*, Doc. C.178 M 97 1935 II B, and Economic Committee's *Report, Remarks on the Present Phase of International Economic Relations*, Doc. C.344.M.174 1935 II B.

the continued significance of the breakdown in the international exchange of goods; and that economic recovery necessitated "ample and regular international circulation, the restoration of which cannot be the outcome of isolated action by the different countries but only of their co-operation".<sup>1</sup> Unfortunately it added that it did not matter whether this took a collective or a bi-lateral form; whereas the former is essential. Moreover, once again, and at this time of day, it repeated the platitudinous advice, the efficacy of which events have disproved so tragically, that Governments should intensify foreign trade by "modifying their commercial policy for this purpose on more liberal lines".

#### NATIONAL ECONOMIC COUNCILS AND THE LEAGUE

An interesting feature of League economic activity in recent years has been the calling together of representatives of national economic councils and their association with the League's work. This has been a significant pointer to future League activity. The 1930 Assembly asked the League's Economic Organisation to put itself in touch with national organisations, consultative or planning councils or research institutions for the purpose of co-ordinating studies on the depression. A meeting of representatives of national economic councils and economic research institutes was held at Geneva, in March, 1931, to discuss questions relating to the depression.<sup>2</sup> A second meeting of such representatives was held at Geneva, from 2nd to 4th July, 1931. The report of the Second Committee to the Assembly in 1931 noted a suggestion that the closer co-operation of national economic councils in the League's work might be achieved by a suitable modification of the existing Economic Consultative Committee.

<sup>1</sup> It also emphasised the Economic Committee's remarks that, "apart from war production, the decline in unemployment noticeable in certain important industrial countries is almost entirely due to direct intervention by the public authorities" (*Remarks on the Present Phase of International Economic Relations*, Economic Committee's Report, 1935, p. 21).

<sup>2</sup> See *Monthly Summary of the League of Nations*, Vol. XI, 1931, pp. 87-8.

## THE CONCERTED ECONOMIC ACTION MOVEMENT

A movement which was heralded with a blare of trumpets by the believers in orthodox free or freer trade, but which sadly disappointed them, was that in favour of concerted economic action and a tariff truce. The 1929 Assembly decided that Governments should be asked if they wished to participate in a diplomatic Conference for the conclusion of a tariff truce, and, if necessary, for the establishment of a programme of negotiations for collective agreements to facilitate economic relations by all practicable means. The resulting Preliminary Conference for Concerted Economic Action was held at Geneva, from 7th February to 24th March, 1930. This Conference failed. The Commercial Convention which was designed merely to give tariff stability for a period, however, was accompanied by an Additional Protocol with regard to future negotiations; whereby the signatories recognised as indispensable concerted action to obtain closer co-operation, improvement of the régime of production and trade, enlargement of markets and facilitation of the relations of European markets between themselves and with overseas markets so as to consolidate economic peace. The conference considered that these future negotiations should determine the speediest and most effective means of adjusting economic conditions and of organising more rationally the production and circulation of wealth. It wanted other steps to be taken with a view to a better organisation of production and more rational distribution of products. It decided, for this purpose, to consult the Governments by means of a questionnaire, covering such points as:

(a) In what agricultural products is there over-production in each country? What are the normal outlets for the products? What practical means can be employed to ensure disposal and distribution of surplus production in the normal markets and in other countries with an insufficient production? (b) What practical means can be employed to facilitate the disposal of manufactured

products, particularly by increasing the extent to which it is possible for consuming countries to purchase? What practical means can be employed to ensure the movement of European raw materials amongst the different countries under most satisfactory conditions and their better utilisation? The signatories also decided that future work should take account of recommendations and considerations in an annex, relating, *inter alia*, to: the adjustment of economic relations between industrial and agricultural countries, and various questions connected with international economic relations. This Protocol on Future Negotiations included a Final Act whereby the Conference, recognising the importance of overseas markets for European economic life, recommended the Economic Organisation to undertake an objective study of means of establishing close co-operation between European and overseas countries and, in particular, of the means of improving their trade relations.

#### THE WORK OF THE FINANCIAL COMMITTEE

Interesting work has been accomplished by the Financial Committee; which, by this time, was functioning regularly. It has given financial help to many Governments since its inception. In 1922 and 1923 it took action to restore the finances of Austria and Hungary; devising a plan of financial and monetary reconstruction, in each case, to be carried out under the auspices of an important official appointed by the League Council, with the aid of resources raised through an international loan. Loans for £26 million and £10 million, respectively, were arranged. The schemes were prepared by the Financial and Economic Committees of the League, directed by a special sub-committee of the Council. A Commissioner-General appointed by and only responsible to the Council, was designated,<sup>1</sup> and a "Committee of Control of the Guaranteeing Governments" backing the Reconstruction Loan, was formed,

<sup>1</sup> Abolished in 1926.



to secure the assets assigned for its service. In 1923, it elaborated for Greece a plan necessitating a League loan and the appointment of a League official, to find homes and productive work for vast numbers of refugees; and also a plan for reconstruction of the State's finances. This productive undertaking was started to provide employment for refugees through a land settlement scheme eventually intended to be self-supporting. Under League auspices, by agreement between the Council and the Greek Government, was formed a Settlement Commission comprising two Greek members, approved by the Council, a representative (not an executive officer) of the Council and a member, the Chairman and a U.S. national, with a casting vote; appointed by the Council but representing relief bodies which had been working in the area concerned. This Commission, therefore, was a body quite separate from the Council and raised its own credits on assets supplied by the Greek Government; but it was aided by technical advice from the League organisations and its political questions were settled by the Council. By 1927, over £9 million had been spent on agricultural and urban settlement, 16,756 urban houses had been erected and 147,211 agricultural families settled. Help was given to more than 700,000 people. In 1927, a new loan of £9 million was approved by the League; and the Greek Government agreed to form a new Independent Bank to supplant the National Bank, and to accept a scheme for financial and currency overhauling. Of its loan £3 million were to be used for the refugees scheme. The service of the loan and control of assured revenues were entrusted to the International Financial Committee, in Athens, which had been functioning for thirty years in regard to similar Greek loans. In 1926, the Financial Committee helped Bulgaria to solve a similar refugee problem; which country was helped also on budgetary and currency matters in 1928. In 1926, also, the Bulgarian Government elaborated a scheme for settling about 120,000 people on the land and aiding

5,000 families in towns. The Financial Committee approved a sum of about £2 $\frac{1}{4}$  million, to be spent on country settlement, expropriation, clearing and drainage. The State plan was not for urban workers but land settlement with provision of land, housing, supplies in kind of agricultural implements, cattle, seed, and, sometimes, limited subsistence. Two-thirds of the loan were to go to the provision of houses, initial equipment and advances, and the rest on preparation of the land to make it suitable for settlement and communications. The Bulgarian Government agreed to provide a minimum of necessary land, its own free property, including the area necessary to require clearance and drainage operations. A League Commissioner appointed by and responsible to the League Council controlled the loan. The Government agreed to unify all its refugee services; and appointed a Director-General for Settlement of Refugees.

The Committee appointed a Financial Administrator to the Albanian Government; and also provided two loans for Danzig and advised Esthonia on certain banking and monetary reforms. In 1926, a Report by the Committee as to financial reforms was accepted by the Esthonian Government after an inquiry and a request for advice from the Government to the Committee: provision was made for re-organisation of the Bank of Issue. The Committee has had the special task of superintending financial questions connected with the Free City of Danzig. Currency re-organization, the issuing of foreign loans and the creation of a new Bank of Issue, all have been operated under the Committee's schemes and advice.

A 1928 Bulgarian loan of £5 million was issued, and its service was placed under the International Financial Committee. The loan, authorised by the League Council, was mainly for the purpose of enabling the Government to stabilise the currency; more than half of the loan being earmarked to reinforce the Bank of Issue and pay off budget arrears. Allocations from

the proceeds of the loan also were made to the Agricultural Bank, Central Co-operative Bank, means of communication and earthquake expenditure. The National Bank was repaid a considerable part of its advances made to the State or to the Agricultural and Central Co-operative Banks (State Banks), or under the guarantee of the State. New working capital was provided for the Agricultural Bank and the Central Co-operative Bank, to render these institutions sufficiently liquid. Quarterly reports were to be made by the Bulgarian Government, on its financial situation, to the League Council during a period of five years. The Statutes of the Bank were amended in accordance with the recommendations of the Financial Committee and a technical adviser to the National Bank was appointed, on the nomination of the Council. He supervised expenditure on communications. The Bulgarian Government undertook to protect the National Bank's independence from political influence and to transform the Bank into an independent Corporation at a date to be settled by the League Council in agreement with the Government.

During the world crisis the Financial Committee has had to give special help to Austria, Hungary, Greece and Bulgaria; and it has given its technical co-operation to the Rumanian treasury. Help also has been given, at different times, to Portugal, Lithuania and Liberia. In 1930, two League experts, in conjunction with the Financial Committee, studied the co-operative system in Bulgaria.

At its meeting in April, 1932, the Council noted that the Financial Committee, at its meeting in Paris, 3rd-24th March, 1932, urged Governments to guarantee loans to supply funds to be put at the disposal of Governments needing financial aid which should be conditional on their acceptance of measures suggested by the League regarding administration of public finances and of the National Bank. The Council endorsed the Committee's emphasis on the importance of closer economic co-operation by the Danubian States.

The Report adopted by the 1935 Assembly on Economic and Financial Questions noted that during the previous year technical advisers in close touch with the Financial Committee had given advice to the Austrian, Bulgarian and Hungarian Governments. The Assembly asked the Council to arrange for a special Committee of legal and financial experts to examine the means for improving contracts relating to future international loans issued by Governments or other Public Authorities. In February, 1936, the Secretary-General of the League decided to send a financial and economic expert, at the Venezuelan Government's request, to aid Venezuelan experts.

#### AID TO REFUGEES

According to a recent League estimate there are over one million refugees in the world; and work for refugees has been an important part of League economic activity. At various times the League, through the Financial Committee and by the appointment of special Commissions and Committees, has helped Russian, Assyrian, Turkish, Greek, Bulgarian and German refugees.

In 1935, a Committee of the League Council appealed to Governments to help in raising funds for assisting the work of settling Assyrians of Iraq in Syria; following a voyage to the countries by members of this Council Committee. The 1935 Assembly, following upon efforts made by the Committee of the Council for the Settlement of Assyrians in Iraq, decided that, to complete the financial aid promised by the Iraqi Government, the U.K. Government and the Authorities of the French Mandated Territories of the Levant, and the expected private contributions, to make possible the projected scheme of refugee settlement in the Ghab area of the French Mandated Territories of the Levant, the League should make a financial contribution to this scheme. In making its recommendation as to the extent of such League financial participation, the Supervisory Com-

mission observed, that, hitherto, the League, in intervening in settlement questions, had confined itself to obtaining technical advice, providing experts and collaborating in the issue of loans, without any large amount of money being charged direct to the League budget, and without the League's action in the matter exceeding the limits of organisation and co-ordination.<sup>1</sup>

The Committee of the Council,<sup>2</sup> in tracing the history of previous attempts at settlement work, in transferring Assyrians from Iraq, referred to a League Commission's detached investigations into proposed schemes in Brazil, British Guiana and elsewhere (found unworkable). In July, 1935, this Committee learned that the French Government had agreed, by way of provisional settlement, to accept Assyrians in Syria. The scheme now endorsed is a permanent one, under the League Council's auspices. It comprises a reclamation scheme, which, it was suggested, should be left in the hands of authorities of the Mandated Territories, and a settlement scheme proper, for the operation of which the League would assume responsibility for all contributors thereto.

At the Sixteenth Assembly the Norwegian Government proposed that, in view of the prospective winding-up of the Nansen Office for Refugees and of the High Commission for Refugees in London, this work should be centralised under the League, and protection extended to other categories of refugees not already provided for. The Assembly, however, did not think it wise, at that juncture, to envisage refugee protection being accorded to other categories than those covered by the Nansen and London Offices. It decided, therefore,<sup>3</sup> both for political and financial reasons, to ask the Council to appoint a small Committee of competent persons to collect all useful evidence concerning a possible co-ordinated and centralised organisation for dealing with

<sup>1</sup> League 1935 Assembly, Doc. A IV/10.1935, 25th September, 1935

<sup>2</sup> League 1935 Assembly, Doc. A VI/5 1935, 18th September, 1935

<sup>3</sup> See the resolution of 28th September, 1935

existing categories of refugees. It asked for the appointment by the Council of a Committee of five experts to study this question, consulting, in particular, the Inter-Governmental Advisory Commission for Refugees, the London Office and the Nansen Office, and to report to the Council, which would be able to take any measures that it might think desirable. The question was to be submitted to the 1936 Assembly. The proposal to extend the work to refugees in general was left subject to any future decision.

The Assembly expressed its satisfaction at the work done by the Nansen International Office on behalf of refugees from Russia, Armenia, Syria, Assyro-Chaldea, the Saar and Turkey. The Nansen Office had representatives in seventeen countries. The Norwegian Government urged that special postage stamps be issued for the benefit of the Office: it had itself ordered the issue of national stamps for the purpose. Such stamps, which non-indigent refugees had to buy with the annual issue of their passports or other identity documents, were the sole permanent revenue of the Office for relief activities.

The idea was to liquidate the Office, with the proposed suppression of the League's subsidy to it in 1938. The Committee of Private Organisations for Refugees, meeting in October, 1935, hoped that it would be maintained. The High Commission for Refugees coming from Germany was to be dissolved at the end of January, 1936.

The 1935 Assembly noted that, by the 31st July, 1935, thirty States had become members of the International Relief Union; and urged the importance of measures taken to ensure co-ordination of efforts of other relief organisations, and to encourage, especially by appointing experts, preparatory studies to facilitate such future action. The 1935 Assembly also expressed appreciation of the work of the Inter-Governmental Advisory Committee for Refugees from Russia, Armenia, Assyria, Assyro-Chaldea, the Saar and Turkey.

On 18th December, 1935, the Council appointed an Autonomous Assyrian Settlement Trustee Board, to take over financial responsibility for the settlement operation, as distinct from the public works for the reclamation of the Ghab, and, in collaboration with the High Commissioner, the installation and the administration of the settlement.<sup>1</sup> The Board comprised a French, a Swiss and a U.S. member; the Chairman and another appointed and removable by the Council, and the third representing the High Commissioner for Syria and the Lebanon.<sup>2</sup>

The Committee for International Assistance to Refugees created by the 1935 Assembly met at Geneva, 28th November–7th December, 1935, and consulted the above-mentioned bodies and also private bodies dealing with refugees. Its report to the Council declared that the problem could be solved only by close co-operation between the States and parties concerned; for example, distant States could help by absorbing refugees placed in their territory. It said that the principles of international solidarity required aid to States most directly affected and help in the absorption of refugees; that, on the dissolution of the Nansen Office, the task of assistance and provision of work should be given, on a working basis, to States or to private associations; and that further funds for refugee work should be provided.

The Committee recommended provisional measures

<sup>1</sup> Most of the estimated cost of financing the settlement had been guaranteed by the promised contributions from the British and Iraq Governments, by a subsidy voted by the League Assembly and by the taking over by the French Mandated Territories of the Levant of the public works for the reclamation of the Ghab up to a given maximum. As and when the land in the Ghab area is reclaimed, ownership of parts destined for the Assyrians will be vested in the Board, which will arrange distribution to the Assyrians, settle finally price and conditions of purchase by them and transfer property on payment by them. The Council's Committee would consult Assyrians to ascertain how many would take advantage of the settlement plan.

<sup>2</sup> Vacancies to be filled by the Council, which had ultimate control, would receive reports and dictate the statutes and regulations of the Board. See *inter alia*, the debate in the House of Lords on 11th February, 1936

for the period up to the 1936 Assembly. An outstanding personality should be appointed to collaborate with the League's technical services, in carrying out the following tasks between the following Session of the Council and the 1936 Assembly: the assuring of the continuity of the work of the High Commissariat for German refugees in London; the consultation of Governments as to the possibilities of their absorbing and providing employment for further refugees and then the preparation of a programme of emigration for refugees from Germany to those countries which are willing to receive them (Palestine, South America, etc.), including the steps to be taken for the transfer of as much capital as possible; and submission of a full report on the problem of the refugees coming from Germany for submission to the 1936 Assembly. It also urged the provisional appointment of another outstanding personality who, until the Assembly met, would: act as President of the Nansen Office; be empowered to carry out any reform or change necessary in the administration and representation in different countries of the Office, as well as in its general activities (relations with Governments, placing, emigration and assistance to refugees, etc.); and frame a special report for the Assembly, containing a revised and constructive plan for the dissolution of the Office.

For the more permanent refugee organisation the Committee recommended that, after September, 1936, the Nansen Office should be put under a highly qualified person who also would direct a separate organisation for German refugees. He would, *inter alia*, carry out the projected dissolution of the Nansen Office and see that the special Organisation for German refugees should in due course be transformed into an autonomous organisation placed under League auspices.<sup>1</sup> It also recommended an alternative scheme providing for the

<sup>1</sup> A suggestion was made that the service for German refugees be administered by a Committee representing voting Governments and advisory representatives of Jewish and other groups



two services to be carried on separately, practically as during the provisional period.<sup>1</sup>

On 24th December, 1935, the Council decided to deal only with the provisional measures, referring the permanent proposals to the Assembly. It appointed a provisional President of the Governing Body of the Nansen Office with duties indicated in the above report; and authorised its President to appoint, with the approval of members of the Council, a High Commissioner of the League of Nations to handle till the next Assembly questions relating to refugees from Germany, with the League's technical services' assistance.<sup>2, 3</sup>

#### EXCHANGE OF GREEK AND TURKISH POPULATIONS

Under the Lausanne Convention, 1923, between Greece and Turkey, relating to the compulsory exchange of Turkish nationals of the Greek Orthodox religion established in Turkish territory, and of Greek nationals of the Moslem religion established in Greek territory, the Mixed Commission for the Exchange of Greek and Turkish Populations was set up, to supervise and facilitate emigration, to be effected under the Convention. It comprised four representatives each of Greece and Turkey and three members appointed by the League Council from among the nationals of Powers not participating in the 1914-18 war. It presented its final report on its work, to the League, in October, 1934, and closed its proceedings.

<sup>1</sup> The Italian expert's proposal, which was rejected, would have handed over the task of assistance and placing to private organisations, with an international committee of assistance, forming a link with the League, set up to co-ordinate and assist these private organisations.

<sup>2</sup> In welcoming the report of the above Committee on this point, the Executive of the British League of Nations Union, in January, 1936, regretted that similar provision was not made for the larger number of Russian and Armenian refugees after the anticipated liquidation of the Nansen Office.

<sup>3</sup> In succession to the American High Commissioner for Refugees coming from Germany the President of the Council appointed a successor to act till the next Assembly; handling political and juridical, but not relief and settlement questions. The London Office was closed. A Committee had laid down the main lines of his work.

## EUROPEAN UNION

The movement in favour of European union, fathered by the late M. Aristide Briand, began with a great impetus but came to an abrupt stop when economic and political difficulties during the depression increased. The work that it accomplished was mainly on the economic side. Although of a limited character it laid the foundations of a bigger and a stronger movement in years to come.

In accordance with a decision on 9th September, 1929, representatives of European States Members of the League met on 8th September, 1930, to study the results of an inquiry made by the French Government on the question of the organisation of a European Federation. This meeting considered that such closer co-operation in every field of international activity was of capital importance and decided to bring the question before the Assembly. The 1930 Assembly adopted a resolution inviting Governments of European States Members, acting as a League Committee, and with the help of the Secretariat, to pursue the inquiry initiated on this question. The Commission of Inquiry for European Union was formed on 17th September, 1930, when it held its first meeting. At its second meeting, in January, 1931, to which all members of the League were admitted, and at which it was decided to admit non-members, it adopted resolutions to this effect: (1) the President of the Union should call a meeting of representatives of grain-exporting Central and Eastern European countries and of European importing countries to consider means of disposing of the grain surplus; (2) a Committee should be set up to study the problem of future European harvest surpluses; and (3) a Committee should be appointed to watch the work of the Financial Committee on the question of agricultural credit with a view to action by the Council on a detailed scheme. It also appointed a special Committee to discuss certain organisational matters and also certain

economic questions before the League which could be facilitated by discussion in the Union, and a Belgian Government proposal on the transmission of electric power.

The meeting of European grain-exporting and importing States was held in Paris, in January, 1931. It dealt with wheat, maize and barley problems, leaving those of rye and oats for later consideration. The Committee appointed to examine the question of the disposal of future European grain harvest surpluses met in Paris, in February, 1931. It declared that this was a world problem. The Committee appointed to deal with certain organisational matters met in Paris, in March, 1931. The Committee appointed to watch over the work of the Financial Committee regarding agricultural credit met at Geneva, in April, 1931, and considered the draft international convention, charter and statute presented by the delegation of the Financial Committee, of which it approved in general.

The third session of the Commission of Inquiry for European Union was held at Geneva, in May, 1931. It finally approved the draft scheme for an International Agricultural Mortgage Credit Company; and the Convention creating the Company was signed by sixteen Governments. It provided for a further meeting of the Sub-Committee on the export of future harvest surpluses to meet in June, 1931. It asked to be kept informed of the progress of the work of the International Institute of Agriculture regarding the creation of an international organisation of short-term credit. It asked the Council to appoint a committee of Government representatives to consider, with the Financial Committee, what steps could be taken to facilitate the issue of state loans of an international character by more active intervention by the Financial Committee; and directed this Committee's attention to the I.L.O. public works' proposals.

In June, 1931, the Committee appointed to study the disposal of future harvest surpluses met in Geneva. It

regretted that at the London Conference (in May, 1931) the European and overseas wheat-exporting countries had not reached a comprehensive international agreement on the creation of a joint organisation for their sales on the world market. It asked the International Institute of Agriculture to study the possibility of forming a provisional organisation for the financing of the next harvest. The Unemployment Committee of the Commission of Inquiry for European Union (including representatives of the I.L.O.) met at Geneva, on 1st and 2nd July, 1931, and appointed a Committee on public works. It considered that a policy of co-operation in public works would help European economic development and urged the Credit Problems Committee urgently to study means of securing permanent international co-operation to facilitate the execution of such works, and to promote a policy of long-term credits in connection therewith. It also appointed a Committee to consider an International Institute of Agriculture proposal to make better use of all factors of production, involving the study of possible transfers of surplus population, with the aid of an international policy of credits. A meeting of the European Sub-Committee for Economic Co-ordination met, 31st August–2nd September, 1931. It examined the reports of its Committees on the Disposal of Future Harvest Surpluses and on Credit Problems, and received a communication about a scheme for an international short-term credit institute from the International Institute of Agriculture, which proposed to call a Conference thereon with a view to a final decision. The Sub-Committee of Economic Experts met from 24th to 29th August, 1931. It urged the necessity of making Europe a single market for the products of any and every country in it. It emphasised the value of international industrial agreements as expressing a community of interests favourable to the realisation of European Union. It considered that an institution for granting long- and medium-term credits, to carry

out all financial and banking transactions necessitating co-operation between financial establishments of the different markets to revive trade, might be created; and proposed that a suitable organ should study this idea.

The Committee appointed by the Council and by the Commission of Inquiry for European Union to consider, with a delegation from the Financial Committee, the means of facilitating State loans of an international character by more active League intervention, met at Geneva, from 24th to 26th August, 1931. The Secretary-General of the League said that temporary aid to National Banks, to overcome the lack of confidence due to the crisis, such as had been attempted by the Bank for International Settlements, was insufficient. When banks are threatened, he urged, Governments must intervene to restore confidence. This Committee had to study how such efforts of Governments and banks could be co-ordinated. It considered that the Financial Committee, acting under the Council's direction, should consider applications for its aid from borrowing States and be ready to advise such Governments. The B.I.S. could act as trustees of a loan; and the Financial Committee should co-operate closely with it (and with Treasury Officials) regarding the issue of loans: no new bodies need be created. The Financial Committee might continue to appoint ad hoc delegations for such purposes. The Committee proposed that the Council should ask the Committee of Inquiry on general questions relating to public works and national technical equipment appointed by the Transit Organisation to examine, with I.L.O. representatives, and other League organisations the economic necessity of certain public works proposed and the co-ordination with other schemes from a national and from a European point of view. The Committee thought it premature to examine the proposed creation of an international financial institution for intermediate and long-term credits.

At its fourth session, held from 3rd to 5th September,

1931, the Commission of Inquiry for European Union asked the Council to call for a study of the Francqui scheme; to entrust the Committee of Inquiry appointed by the Transit Organisation (with the addition of I.L.O. representatives) with the examination of public works schemes of European interest submitted by Governments to the League; and to instruct the competent League organs to study the International Institute of Agriculture's suggestion regarding the better use of the factors of production. The Commission's fifth session was held on 26th September, 1931. In September, 1931, the Council approved the conclusions of the special Sub-Committee on League facilitation of State loans of an international character. The Commission of Inquiry for European Union met in Geneva on 30th September and 1st October, 1932. The President of the Stresa Conference reported on its results. The Lausanne Conference had instructed a special committee to submit to the Commission proposals for restoration work in Central and Eastern Europe. Fourteen States were represented at the Stresa Conference (together with the Secretariat, the I.L.O. and the International Institute of Agriculture, plus one observer from Latvia). It drew up a Convention for the revalorisation of cereals. It recommended the formation of a fund to regularise monetary conditions in Central and Eastern Europe. The Commission decided to bring these matters before the League Council, the Preparatory Committee of Experts for the Monetary and Economic Conference and the latter Conference itself. The Council appointed a Committee on the monetary normalisation fund. This Committee elaborated a scheme for a fund to promote a return to better conditions in Central and Eastern Europe, to which Governments should contribute. The B.I.S. should handle it, keeping contact with the Financial Committee; and the fund would be used to aid the Bank of Issue and Central Bank.

During recent years very little more has been heard of this Commission. The 1932 Assembly considered that

circumstances had been such that the Commission had been unable to meet since the last Session; and decided to renew its mandate for another year.

#### SPECIAL CONFERENCES ON AGRICULTURAL AND RAW MATERIALS PROBLEMS

Perhaps one of the most striking features of the economic history of recent years has been the number of conferences of representatives of agricultural countries, particularly in Central and South-Eastern Europe, that have been convened to promote co-operative action to combat the economic crisis and to rationalise agricultural life.

At the 1929 Bucharest Congress of the International Commission of Agriculture, in a discussion on international aspects of the problem of direct relations between consumers' co-operatives and producers' co-operatives or isolated producers, the English delegate suggested that the principle of forming joint organisations of co-operative producers and consumers, warmly advocated nationally, should apply internationally, and that the linking-up of agricultural co-operatives with the International Co-operative Alliance should be considered before forming a separate organisation. A Swiss delegate also urged that the International Co-operative Alliance was open to any co-operative body and did in fact contain agricultural bodies; and had increasingly intimate international dealings with Canadian wheat pools. The Congress, however, preferred independent action as a first step to a close *rapprochement* between the co-operative forces. It passed a resolution declaring that the co-operative producers' and consumers' organisations have a common aim tending in their sphere of activity to abolish the power of capitalism over labour and to prevent undeserved profits, and that a collaboration between these two branches of the co-operative movement was necessary to both parties; recognising the necessity of international organisation of agricultural co-operative societies, in order to satisfy the credit

requirements of the National Federations; and recommending the creation of organisations capable of undertaking the exchange of credits. During 1930 important steps were taken to rationalise European agricultural production with a tendency for agrarian producing states to form international cartels or wheat pools. A first Balkan Conference was held, in 1930, at Athens, including representatives of Albania, Bulgaria, Greece, Rumania, Yugoslavia and Turkey. An ambitious programme adopted included promotion of the co-operative movement and closer collaboration between co-operative organisations of Balkan States, the study of measures to bring about a Balkan monetary union, and collaboration between credit institutions. From 21st to 23rd July, 1930, an Experts' Conference, with representatives from Hungary, Rumania and Yugoslavia was held at Bucharest, dealing, *inter alia*, with export of cereals and measures to be taken in common to improve cereal prices. At this Conference a Yugoslavian minute states that Yugoslavia and Rumania contemplated forming a cartel for agricultural produce exported by both countries, e.g. wheat, maize, cattle, pigs; while the produce in which either had a monopoly or any other interest would remain outside the plan. In Belgrade and Bucharest a "Union for Agrarian Co-operation" would be set up as the central organisation for gathering surplus produce for export. The plan would be widened by an agreement with Czechoslovakia which would agree to buy a definite amount from both. A Conference of the Governments of Yugoslavia and Rumania was held at Sinaia, 30th July-1st August, 1930, and a permanent Committee was formed to establish close economic co-operation.

At the 1930 Agrarian Conference in Warsaw, 28th-30th August, attended by Bulgarian, Czechoslovakian, Estonian, Finnish, Hungarian, Latvian, Rumanian, Yugoslavian and Polish Governments' and League representatives, it was proposed to develop co-operative action for regulating and rationalising export of agri-



cultural products and elimination of unnecessary competition between these States, to establish silos with a credit system, and to try and get international credits (for up to five years) for agriculture through the League. It was decided to organise an annual meeting of the persons responsible for giving effect to the economic policy of the countries represented. A technical, financial conference in Bucharest, 17th–19th October, 1930, representing the Eastern and Central European countries, that met at Warsaw, was engaged in arranging for permanent collaboration regarding agricultural credits and better organisation of agricultural exports. A resolution was adopted in favour of establishing or strengthening in each country as soon as possible special institutions for controlling the export of agricultural products; and five Committees were created dealing, *inter alia*, with the organisation of a permanent concerted action between the agrarian States, agricultural credit and improved organisation of agricultural exports. A permanent Committee for studying the economic side of these questions was formed, to collect information and statistics, to get into touch with the International Institute of Agriculture and to organise the execution of the decisions of these conferences. At a further conference in Belgrade, on 14th November, Bulgaria, Hungary, Poland, Rumania and Yugoslavia agreed to set up a central bureau to fix prices and conditions on which wheat, maize and oats produced by each would be sold to certain buying countries. It was suggested that these bodies be set up by 31st March, 1931. At the Prague Congress of the International Agrarian Bureau, 29th–31st October, 1930, attended by representatives of Peasant Parties from Bulgaria, Czechoslovakia, Finland, France, Germany, Greece, Latvia, Netherlands, Rumania and Switzerland, resolutions were adopted urging: the protection of agricultural production by agreements between agricultural exporting and importing countries, the most-favoured-nation clause being replaced, if necessary, by regional or inter-

continental agreements regarding quotas and conditions of export and import; and the extension and strengthening of agricultural organisations in each country to take an effective part in controlling agricultural trade on behalf of producers and consumers and of both national and international interests.

The Second Session of the Permanent International Committee of Agricultural Associations (an advisory body under the International Institute of Agriculture), in Rome, in October, 1930, attended by representatives of 100 national organisations, urged the necessity of a professional organisation of agriculturists to supply national and international associations with exact information about agricultural facts; and decided that a plan for co-ordinated action between agricultural associations, in concert with the International Institute of Agriculture, should be drawn up, in order to encourage a more rational organisation of production in relation to consumption possibilities, and closer co-operation between producers and consumers.

An Inter-American Conference on agriculture and forestry, in Washington, 7th–20th September, 1930, representing private and official organisations from North and South American States, urged the Governing Board of the Pan-American Union to call similar conferences every five years to discuss permanent collaboration between the North and South American countries in studying problems such as those involving competition in selling agricultural produce.

A Sofia Conference, 10th–13th December, 1931, was attended by delegations from Bulgaria, Czechoslovakia, Hungary, Poland, Rumania and Yugoslavia. It arranged for a Permanent Economic Research Committee; and urged the conclusion of international agreements for maize, barley, rye, cattle, pigs, bacon, hogs, butter, eggs and wood. As a result of this conference, a conference of representatives of agricultural co-operative societies in Bulgaria, Rumania and Yugoslavia was held at Bucharest, 16th to 17th April, 1932. It recom-

mended the formation of national co-operative organisations through which the State could act to help production. It recommended the establishment of a permanent joint organisation, to prevent competition; which should start on a co-operative approach to marketing. This should take the form of a Co-operative Office for Danubian countries, provisionally established in Bucharest. It would concentrate offers of and demands for cereals, deal with co-operative marketing of goods and supply agriculture in these countries with requisites (machines, etc.). The national co-operative organisations would be the sole agents for articles bought or sold from it on their markets.

The Danubian Conference of the International Chamber of Commerce, which met at Innsbruck, in April, 1932, called for economic co-operation among Danubian States, and decided that the Bureau of the Conference should be enlarged into a permanent body.

An International Conference on the timber trade in Vienna, 9th–11th June, 1932, aimed at an international regulation of this trade. Failing this the representatives of Austria, Czechoslovakia, Lithuania, Poland, Rumania, and Yugoslavia, set up a permanent committee to draft a convention. The International Commission of Agriculture, at its annual meeting at Lausanne, 20th–22nd July, 1932, urged the organisation of a system of direct exchange of agricultural products between well-organised co-operative federations, where there was import or export trade. It also advocated a judicious organisation of production and exchange to put the prosperity of nations on a new basis; substituting orderly marketing through associated bodies or other means. Further it formulated proposals for the organisation of the production and export of cereals and wines and for the extension of the International Sugar Agreement. The third ordinary session of the Permanent Committee for Economic Research of agricultural countries of Central and Eastern Europe, at Warsaw 24th–27th August, 1932, urged the organisa-

tion of special credits for public works. The Stresa conference, held from 5th to 20th September, 1932, was the meeting of a special Committee appointed by the Lausanne Conference to submit to the Commission of Inquiry for European Union proposals for restoring Eastern and Central European countries. Fifteen countries were represented (and one observer), also the League Secretariat, the I.L.O. and the International Institute of Agriculture. It urged: the setting up of long-term and short-term agricultural credit institutions; the adoption of a public works programme; and the establishment of a currency stabilisation fund.

At the third Balkan Conference, at Bucharest, in October, 1932, it was decided to create, in connection with the Balkan Chamber of Commerce to be set up at Istanbul, a maritime section to deal with navigation and transport problems. It was proposed that a Balkan Committee on Joint Public Works should meet. The establishment of a Balkan Co-operative Centre was proposed to create permanent relations between national co-operative institutions and to concentrate the import of goods required by co-operative societies and the marketing of co-operative produce.

The annual meeting of the International Commission of Agriculture, at Berlin, 18th–20th May, 1933, urged the conclusion of Agreements on agricultural products—in certain cases not only on exports but on restriction of production in each country. It urged the London Conference to limit excess supply of various products. The fourth Balkan Congress, at Salonika, November, 1933, settled the rules of the Balkan Co-operative Office; and established a Balkan Labour Office. The Committee of the Balkan Congress, meeting at Athens, in April, 1934, decided to create a Permanent Bureau in Istanbul, and that the agenda of the fifth Balkan Congress should include the question of co-operation of agricultural banks and a draft constitution for a Balkan Chamber of Agriculture. At the 16th International Congress of Agriculture, in Budapest, 14th–18th June,

1934, Dr. Lauer (Director, Swiss Peasants' Union) urged restriction of production and international measures to organise agricultural production and marketing. The International Commission of Agriculture, at its annual session at Budapesth, in June, 1934, urged collaboration between Governments and farmers, organised on a national and an international basis, as the most effective means of overcoming the depression. At its annual session, in Brussels, in July, 1935, it considered reports on economic planning in agriculture; it urged that the older industrial countries should take active measures to prevent the increase in the consumption of oleaginous products of tropical origin and of whale oil from interfering with the market for butter and lard, and causing European farmers to increase their sowings of cereals to the detriment of exporting countries. It welcomed the decision of the 19th session of the International Labour Conference to recommend the establishment, at the International Labour Office, of a permanent agricultural committee.

Various proposals made at the conferences thus have tended towards collective action to promote agricultural development and security and to eliminate the ravages of existing anarchic conditions in agriculture.

#### CREDITS FOR AGRICULTURE AND INDUSTRY

There have emerged other agricultural credit proposals which did not mature. Impressed by the gravity of the situation of European agricultural countries struck by the depression, the League Organisations have considered proposals for providing help by way of agricultural credit. The attempt to bring into operation the International Agricultural Mortgage Credit Company was interesting. Albert Thomas, the first Director of the International Labour Office, in 1930 proposed the creation of an agricultural credit bank by the more prosperous Western European countries to help nations in Eastern Europe. A special delegation of the Financial Committee and of certain outside authorities was ap-

pointed by the Council, in January, 1931, to formulate plans for the creation of a special international institution which would borrow on its own credit in the international market and lend, on mortgage security, the money so obtained, through national or local institutes, to agriculturists. The delegation appointed by the Financial Committee to frame plans for organising an international agricultural credit institution met in February, 1931. It decided that the scheme was feasible and that another meeting should be held in March, 1931. It put forward these governing principles: that the co-operation of Governments was indispensable for creating the organisation, but that there should be no political influences in its administration; that private capitalists would subscribe shares and take part in administration, but Governments, "from whom favours and privileges of all kinds must be asked to facilitate its working," could not be refused a measure of control over policy, which should be exercised through the League, under whose auspices the Institute should be placed. The Second Session of the delegation was held in March, 1931, to examine a draft international convention, a charter and a statute drawn up by a small committee in Paris earlier in the month. The scheme provided for a limited liability company, which would be at the same time an organ of public utility formed under League auspices. Certain Government guarantees were provided for. It would grant long- or medium-term loans to national mortgage credit companies which would lend on first mortgages on immovable property exploited agriculturally; and would create and negotiate bonds for the purpose. It might have an authorised capital of 50 million gold dollars. Its international character would be guaranteed by ensuring a majority at general meetings for holders of shares of a special type to be distributed among contracting States. Governments would be asked to advance amounts to form a special reserve equal to the first block of subscribed capital. The Council would appoint an organis-

ing committee. In May, 1931, the Council approved the scheme for founding an International Agricultural Mortgage Credit Company, with its seat at Geneva. Under it, the Council had to appoint the President and Vice-President, and two Directors<sup>1</sup> in the event of the B.I.S. and the International Institute of Agriculture failing to do so; to select the body by whom the auditor should be appointed; and appoint an Organising Committee. The Annual Report of the Board of Directors and the Auditor's Report would be sent to the Council. It appointed the Organising Committee which had to organise the Company, place the first shares and appoint certain members of the Board of Directors, etc.; which met at Paris, on 4th June, 1931. In September, 1931, the Council noted that 21 Governments<sup>2</sup> had signed the Convention; and urged that ratifications should be proceeded with so that the Convention might come into force before the end of the year. It appointed the President and Vice-President of the Company. In January, 1932, the Council noted that only three States had deposited ratifications. At the moment the Company is not in being.

Proposals have been considered, within and without the League, for providing international credits for industry. Mention has been made of suggestions within the Commission of Inquiry for European Union. A Committee of Economic Experts appointed by this Commission to consider co-operation between countries with a view to improving the organisation of production and trade, met in June, 1931. It considered the rôle of industrial agreements in economic life and a plan, submitted by M. Francqui (Belgium), for creating an international bank to grant long-term and medium-term credits to revive economic activity, in liaison with the B.I.S. It should play a rôle like that of national banking

<sup>1</sup> Other directors would be appointed by the general meeting of shareholders, and must be of different nationalities

<sup>2</sup> Whose nominal contributions amply covered the reserve fund of 25 million Swiss francs fixed by the Convention

organisations especially created to furnish credits to industrial undertakings and co-ordinate the action of private banks in regard to international credits. It should aim at restoring economic balance and at the execution of public works. A special Sub-Committee was appointed to consider the scheme.

Other proposals for providing international credit have emerged. In 1931, the French National Association of Economic Expansion suggested the formation of a new organisation on the lines of the international agricultural credit bank to finance public works in Danubian countries; for which purpose, later, M. Delaisi put forward an interesting plan. The constitution of an international short-term credit bank for farmers on the lines of the long- and medium-term credit banks promoted by the League were discussed at several meetings of the International Institute of Agriculture a few years ago; and agreement was reached on a draft convention providing for special facilities for the bank, and on a draft agreement between the various national banks undertaking to become shareholders.

#### A PRIVATE INTERNATIONAL ECONOMIC CONFERENCE

A private International Economic Conference of Economists from various countries, held in Berlin, 1st-4th May, 1932, urged the application of the principle of the international division of labour, though it thought in terms of free trade.

#### LAUSANNE AND MONETARY AND ECONOMIC CONFERENCES <sup>1</sup>

In the summer of 1932 the world had high hopes that, at long last, economic recovery was in sight, with the calling of the Lausanne Conference to settle the problem of reparations and other war debts; and when

<sup>1</sup> See, *inter alia* *The Monetary and Economic Conference*, published by the Information Section of the League, 1933, and League of Nations Monetary and Economic Conference: Reports approved by the Conference, 27th July, 1933, and Resolutions adopted by the Bureau and the Executive Committee, C. 435, M 220.1933.II.



this Conference urged the calling of a World Economic Conference under League auspices these hopes appeared to be confirmed. A new era of world economic co-operation seemed possible. Vested interests, wrong ideas and political passions, however, frustrated these hopes. The Monetary and Economic Conference was called in 1933. Some parts of its agenda were promising; but it fizzled out, despite all the fine speeches of its Chairman. The I.L.O. stimulated the calling of this Conference: the 1932 Session of the International Labour Conference urged such action upon the Council and upon Governments.

The Lausanne Conference, held from 16th June to 9th July, 1932, was convened on the invitation of the Belgian, British, French, German, Italian and Japanese Governments, to arrange a lasting settlement of the questions raised by the Basle Experts' report on reparations and other international political debts, and on measures necessary to solve other economic and financial difficulties affecting the world crisis. Thirteen other Governments participated. The Conference registered an agreement with Germany on reparations' payments; and passed resolutions about Central and Eastern Europe and, above all, about the World Monetary and Economic Conference—which was made possible by the final reparations' settlement. The Governments declared that they intended to deal with one of the problems resulting from the war with the firm intention of creating a new order. The Conference invited the League of Nations to convoke a Conference on Monetary and Economic Questions.

At its meeting in May, 1932, the Council, after considering a resolution adopted by the Sixteenth Session of the International Labour Conference, relating to big international public works for economic equipment and national works on a large scale, League co-operation in the Lausanne Conference, problems of world production and trade and currency and credit problems, referred the matter to the Assembly; declared that the League

Organisations would be at the disposal of the Lausanne Conference if required; and resolved to consult the Assembly as to the summoning of a world conference to consider problems of production and international trade for the conclusion of international conventions for reviving economic activity. The Lausanne Conference adopted a resolution which formed the basis of a request for action sent to the League Council. This resolution invited the League to call a Conference on Monetary and Economic Questions, embracing, *inter alia*, monetary and credit policy and producers' agreements. It asked a Committee of Experts, appointed by various Governments, to examine these questions; which Committee would form two Sub-Committees. It asked the U.S. Government to be represented on this Committee on an equal footing to that of the other Governments; asked the League Council to nominate experts to the Committee; and sought the collaboration of the B.I.S., which it asked to nominate representatives to serve on the Sub-Committee on financial questions. The Council, at its meeting on 15th July, 1932, agreed to the request of the Lausanne Conference that a Conference on Monetary and Economic Questions should be called by the League. It appointed a Committee of the Council, with the right to appoint representatives from other States to it, to take certain decisions. It confirmed the decision of the Lausanne Conference that a Committee of Experts appointed by it should examine questions to come before this Conference; which Committee should keep in touch with the Committee of the Council and should draft an agenda for the Conference. The Council nominated members to serve on these Sub-Committees and invited the I.L.O. and the International Institute of Agriculture to place their technical organisations' services at the disposal of the Committee of Experts. The Council was informed by the I.L.O. that, to carry out a resolution of its annual Conference, it had appointed representatives to take part in the work for preparing for a World Conference. The Council accordingly

invited the Director of the International Labour Office to sit with the Council in its discussions on the World Conference. In September, 1932, the Council agreed to a request by the President of the Lausanne Conference that the Preparatory Committee of Experts should meet at Geneva and that the League Secretariat should undertake the secretariat thereof. The French Government delegate's request that the help of the workers' organisations represented in the I.L.O. should be enlisted by the Council Committee organising the World Conference was passed on to the meeting of this Organising Committee. The Preparatory Committee of Experts comprised financial and economic experts appointed by nine countries (including the U.S.), experts appointed by the Council and by the B.I.S.

The Preparatory Committee for the Monetary and Economic Conference, at its meeting, 31st October–9th November, 1932, associated with its work three representatives from the I.L.O. and one from the International Institute of Agriculture. At its next meeting, 9th–19th January, 1933, it drew up the draft agenda<sup>1</sup> for the Conference, urging Governments "to achieve a broad solution by concerted action along the whole front". This agenda included, *inter alia*, these items: I. Monetary and Credit Policy; (3) Functioning of the Gold Standard; (a) relation between political Authorities and Central Banks; (c) co-operation of Central Banks in credit policy; VI. Organisation of Production and Trade; (1) Economic Agreements; (2) Wheat; (3) Other Products; (4) Transport. On 19th January, 1933, the I.L.O. Governing Body representatives wrote to the Chairman of the Preparatory Committee regretting that the question of public works had not received sufficient attention.<sup>2</sup>

<sup>1</sup> It is interesting to note that the Committee drew attention to the proposals made for applying not only a system of limitation of exports of certain products, but also of limiting areas sown in the principal exporting countries and in the importing countries, e.g. as proposed by the Argentine Government

<sup>2</sup> It recalled the emphasis laid upon this subject by the previous Session of the International Labour Conference and the unanimous opinion expressed by

The Organising Committee of the Council, on 25th January, 1933, approved this draft agenda and recommended that representatives of the Economic and Financial Committees of the League, of the I.L.O., of the International Institute of Agriculture and of the B.I.S. should participate in the Conference in an advisory capacity; and that the International Chamber of Commerce should be asked to place itself at the disposal of the Conference. The Council approved these proposals on 26th January, 1933. At its meeting on 24th May, 1933, the Organising Committee of the Council decided to invite the Communications and Transit Organisation of the League, the International Co-operative Alliance and the International Commission of Agriculture, to be represented at the Conference in a consultative capacity.

Eager to see bold proposals adopted, various organisations submitted special proposals to the London Conference. Comprehensive I.L.O. plans emphasised, particularly, the question of public works. The International Federation of Trade Unions, in a memorandum to the Conference, urged a general programme of: planned production of raw materials; regulation of production and planned distribution; establishment of an international planning board for production and distribution and the creation of binding international production Agreements; planned capital policy, tending towards a larger-scale international programme for creating work and including creation of an international institution for financing purposes; planned credit policy; establishment of an international clearing and sinking fund institution and control of banks; planned Central Bank policy, forming the basis of planned economic administration on an international scale; planned currency policy, by creating an international currency unit,

the representatives of the I.L.O., the International Institute of Agriculture and the Committee on Public Works and National Technical Equipment of the Communications and Transit Organisation, at the meeting of 15th December, 1932.

and the establishment of a "world bank of banks"; planned control of prices and monopolies, mainly by an international monopoly office; and (repeating its old demand) the establishment of a World Economic Council to introduce and supervise these measures of economic planning.

At its 1932 congress in Paris the International Federation of League of Nations' Societies urged the Monetary and Economic Conference to concern itself with an international plan of large-scale public works with the collaboration of all States, aiming at bringing within the circle of international exchange all the population of the globe. It welcomed Albert Thomas' public works' plan and also that of Delaisi. It regretted that most public works' schemes sent in to the special committee of the Communications and Transit Organisation were national in character and limited in scope. It urged that an international public works' plan should be financed by guarantees from autonomous offices and from States. It commended the Delaisi plan to the League and the B.I.S.; and asked the League to consider issuing a big international public works' loan for Eastern European works, jointly guaranteed by the States. It further urged regular contacts between national economic councils.

The Monetary and Economic Conference opened, in London, on 13th June, 1933. Sixty-six States (ten non-members) were invited to take part in it. Unlike the Brussels (1920) and Geneva (1927) Conferences it comprised Government representatives, not experts. The President (Mr. J. Ramsay Macdonald), opening the Conference, said:

A purely national economic policy in this modern world is one which by impoverishing other nations impoverishes those who pursue it. No nation can permanently enrich itself at the expense of others. Mutual enrichment is the condition of individual enrichment. . . . Self-sufficient nationalism in economics is the death knell of advancing prosperity. The nearer we can make the world an economic unit, the better it will be for each nation. . . .

International co-operation is our best way to national recovery; and the nation which looks after itself in an international frame of mind will not only lead the world in enlightenment but in well-being. . . .

The Conference appointed two Commissions to deal with (a) economic and (b) monetary and financial questions. The former decided, under "co-ordination of production and marketing", to consider the question of wheat and other foodstuffs, raw materials and industrial cartels. Both Commissions discussed public works.

The Sub-Commission II of the Economic Commission, on "Co-ordination of Production and Marketing" discussed the encouragement of the conclusion of agreements to regulate the production and marketing of certain specially important products. This Sub-Commission appointed Sub-Committees on sugar, wine, timber, tin, dairy produce, coffee and cocoa; and also discussed coal and copper problems. At the fifth meeting of the Economic Commission Dr. Lauer (Switzerland) urged, for the solution of the cereals problem, the limitation of sowings, prevention of a fresh increase in stocks by means of international subsidies with a view to eliminating surpluses and export quotas.

The above Commissions and Sub-Commissions obtained the following results:

*General Conditions of Agreements on Co-ordination of  
Production and Marketing*

The French delegation asked for consideration of agreements between Governments on certain products; whereupon various general principles which underlie all such Agreements were agreed upon: Such Agreements, the desirability of which was admitted, should aim at raising wholesale prices to a reasonable level; commodities in question must be of great importance in international trade in which there is excess production or stocks; an Agreement must be comprehensive as regards the commodities regulated (i.e. covering related

or substitute products if necessary) and as regards producers (commanding a general assent amongst exporting countries, and, within them, a substantial majority of producers themselves); and, where necessary or desirable, it should provide for the co-operation of non-exporting countries whose production is considerable; be worked with the co-operation of consuming interests in importing countries; Governments should have the power and the will to enforce it in their territories; and it should be of adequate duration. It was emphasised that the future of consuming countries, especially those lacking in raw materials, should not be prejudiced.

### *Foodstuffs*

*Dairy Produce.*—The International Institute of Agriculture, together with the International Agricultural Commission, the International Dairy Federation and the League Economic Committee, was asked to study this question; and the various Governments were asked to inform the League Secretariat, by 10th September, 1933, of their views on the formation of an international dairy council to attenuate competition between countries exporting butter and other dairy produce and to co-ordinate production and marketing. The Economic Sub-Commission II considered that Governments should form without delay an international dairy council, to reduce competition between exporting countries by co-ordinating production and marketing, but preferred these further studies to take place first. In Economic Sub-Commission II ("Co-ordination of Production and Marketing") the Italian delegate proposed that the International Institute of Agriculture, with the International Federation of Dairies and the League Economic Committee, should study the best ways of regulating and co-ordinating output and sale of dairy products. The Polish delegate urged the creation of an international organisation of representatives of countries exporting dairy produce to improve marketing conditions; in order to reduce exporters' competition. This

was supported, in principle, by the Swedish (which, with British support, urged limiting its functions to the commercial side), Danish, Netherlands and Swiss delegates; but the matter was referred to a Sub-Committee. It was pointed out that there is an International Dairy Federation (Brussels), of scientists, dealing with milk and milk products, doing research work only; and that there is also a Federation of National Dairy Councils.

*Sugar.*—Negotiations undertaken by the International Sugar Council with the importing and exporting countries having shown that a general Agreement on production and marketing of sugar was feasible, the Sub-Committee requested the Bureau of the Conference to keep in touch with the International Sugar Council and with the countries concerned in order to be able to summon, as thought expedient, a further meeting with a view to concluding a general agreement.

*Wine.*—The Sub-Committee asked the International Wine Office, in co-operation with the Economic Committee and the International Institute of Agriculture, to follow the plan elaborated by the Sub-Committee. It was suggested that Governments should take certain initiatives, e.g. to stop excessive expansion of vineyards throughout the world. An International Wine Office memorandum to the Conference proposed limitation of production by a limitation of the area planted.

*Coffee.*—The Sub-Committee suggested that the exporting countries should study the possibility and the practical methods of regulating their production and supply; and proposed that suggestions made by coffee-exporting countries for co-ordinating production and marketing of coffee, including those relating to the possibility of organising an international body to that end, should be submitted to the Secretary-General of the Conference.

*Cocoa.*—The chief producing countries were invited to submit to the Secretary-General of the Conference their opinions and proposals with a view to summoning a subsequent meeting of experts to study the organisa-



tion of production and international trade in raw cocoa. In the Economic Sub-Commission II the U.K. supported Ecuador in urging the adoption of a scheme of international co-ordination for cocoa.

*Tea.*—Sub-Commission II was informed that an agreement had been reached between the chief producing countries.

*Wheat.*—Though this problem was not considered officially by the Conference lengthy discussions thereon, between the exporting countries and then between them and importing countries, took place in London, in June and July, 1933.\*

### *Raw Materials*

*Timber.*—The Sub-Committee postponed its discussions till October, 1933, to enable negotiations proceeding between the chief exporting countries with a view to encouraging international collaboration to be continued.

*Coal.*—The chief producing countries were invited to organise coal production on an international basis. The competent League organs, in particular the special Sub-Committee of the Economic Committee, were asked to continue their studies and to ensure the safeguarding of all interests involved, especially those of importing and consuming countries. The League Council was asked to call a Conference of the chief producing and consuming countries to examine measures to be taken if this effort had not given the desired results within six months.

*Copper.*—The Governments of copper-producing countries were asked to submit to the Secretary-General of the Conference, before 15th September, 1933, their views and proposals on the organisation of the production of and international trade in copper, with a view to summoning a meeting to see whether it was possible and expedient to conclude an Agreement. In Economic Sub-Commission II the U.S. delegate urged that an international agreement on copper be aimed at.

*Tin.*—Having considered the scheme for control

drawn up by the International Tin Committee, of which the Bolivian, Nigerian, Netherlands East Indies, Siam and Federated Malay States Governments are members, it was recommended that the Governments of South Africa, Australia, Belgium, the United Kingdom, China, France, India, Japan, Mexico and Portugal should enter into negotiations with that Committee. The Sub-Committee considered the existing scheme of control to be on sound lines. The Chairman of the International Tin Committee (which works the scheme under the signatory Governments) said that it did not seek to force up prices unduly, or to regulate or control prices, except indirectly by adjusting production to demand, and by providing for a reasonable reduction of excess stocks. He said that the International Tin Pool (working in close liaison with the International Tin Committee) held stocks and released tin from the Pool in accordance with a sliding scale of amounts and prices, fixed in accord with the signatory Governments. Moreover, the International Committee, in agreement with the signatory Governments, can raise production quotas as may be necessary. It was stated that the existing scheme would probably end in 1933 or 1934; and that a further three-year agreement was being sought.

The Commission on Monetary and Financial Questions dealt, in two Sub-Commissions, with "Immediate Measures of Financial Reconstruction", including credit policy, and exchange control, and "Permanent Measures for the Re-establishment of an International Monetary Standard", including the functions of Central Banks and co-ordination of their policies. The Monetary and Financial Sub-Commission II, on the 14th July, 1933, adopted a resolution calling, *inter alia*, for closer co-operation between Central Banks, in which the B.I.S. should play an increasingly important part as an instrument for common action. Another resolution called for the adoption of gold as an international monetary standard; but the Commission could reach no real

agreement on a programme of adjustments necessary for monetary stability and the restoration of credit. A resolution adopted on silver, recommended that an Agreement should be sought between the chief producing countries and those who were the largest holders or users of it, to mitigate price fluctuations.

Mr. Connolly (Irish Free State Government delegate), at the Sixth Plenary Meeting of the Conference advocated: a policy to regularise the whole structure of international exchange and credit and eliminate the speculating interests; the according to the B.I.S. of the rôle as an international clearing-house in relation to exchange transactions; co-ordinating its activities with those of central banks in all countries by international agreement; and an international clearing-house which would aim at furthering the exchange of commodities and particularly the disposal of national surpluses of production.

In Sub-Commission III A, on "Shipping Subsidies", the French delegation proposed that the Conference: should advise States urgently to invite ship-owners of the countries concerned to conclude international Agreements for the operation of the great ocean routes under multilateral contract and to limit the tonnage of future construction, Governments reserving the right to supervise the execution of such Agreements; should suggest joint operation of vessels mentioned in the Agreements and the determination of routes, time-tables and international rates; and should point out that the best practical method of control was to introduce a joint account covering the whole of the working receipts and expenses.

### *Public Works*

A Plenary Session of the Economic Commission was held to discuss this problem, with the participation of representatives of the I.L.O. and the Communications and Transit Organisation. It had been decided to create a Mixed Sub-Committee of the Economic and Monetary and Financial Commissions. As, however,

the Monetary and Financial Commission had not considered the problem, the Economic Commission suggested that the Bureau might appoint a Sub-Committee to study the economic, social and financial aspects of the problem.<sup>1</sup> The French Government urged that a public works' plan to relieve unemployment should be adopted. Then the British Government delegate said that nothing would be gained by attempting to extend the British public works' programme and that it would not re-open the matter in Great Britain—nor could it participate in any international scheme.<sup>2</sup> On the strength of a resolution adopted by the International Labour Conference in June, 1933, I.L.O. representatives urged action on this question. On behalf of this Conference its Government spokesmen asked Governments to finance schemes of national equipment and development, to utilise capital lying idle and relieve unemployment, with special reference to under-developed countries in Europe, South America and Asia. All such national schemes, he urged, whether financed nationally or abroad, should be co-ordinated on an international basis. The Employers' Delegate from the Conference asked the London Conference to provide for the creation of an international instrument capable of putting the idea into practice; which might take the form of a permanent international Committee or Commission established under League auspices and comprising Government representatives aided by representatives of the various organisations of the League and the B.I.S. The Workers' representative of the International Labour Conference pointed out that the Washington International Labour Conference urged the necessity of public works to remedy under-production; and he urged it now to meet another crisis. A representative of the Communications and Transit Organisation, referring to the studies made

<sup>1</sup> The Commission suggested that a US delegation proposal advocating a reduction of hours of work and the introduction of a scale of wages rising in proportion to the increase in production should be referred to this Sub-Committee

<sup>2</sup> See *The Times*, 14.7.33.

by a special Committee of this body, urged the appointment of a special Committee to study the matter.

*Concluding Arrangements and Developments*

On 27th July, 1933, the Conference held two plenary meetings and approved the reports of its Bureau and its two Commissions. It authorised its President, Vice-President and Bureau to take any action deemed likely to promote its success, by calling any Committee set up by the Conference or representatives of any States concerned in any particular problem, or by referring to experts for study any special question, and to fix the date for the reassembling of the Conference.

In his closing address the President emphasised that the recess would be no longer than was absolutely necessary. The Bureau authorised its President, Vice-President, Presidents and Vice-Presidents and Rapporteurs of Commissions (or persons replacing them, as nominated by their Governments) to act as an Executive Committee of the Bureau. This Committee was authorised, in the light of the development of the monetary and financial situation, to take steps for the resumption of work on the questions which the Monetary and Financial Commission had considered, to arrange for the execution of the proposals of the Economic Commission's Sub-Committees, and to take all steps necessary to further the work of the Economic Commission. It was authorised, at a suitable moment, to set up a Sub-Committee to study the question of public works. The Executive Committee authorised the President of the Economic Commission to take, in consultation with the President and through the intermediary of the Secretary-General of the Conference, all necessary steps for the rapid execution of the proposals of the Sub-Committees of the Economic Commission. On 28th September, 1933, the League Council authorised the Economic Committee to co-operate closely with the Executive Committee of the Conference and, particularly, with the President of the Economic Commission. The

President of the Council was empowered to fix the date for the reopening of the Conference in agreement with the Rapporteur and the Secretary-General.

In general it may be said that it was recognised that most of the important financial and economic questions considered were interdependent.

Parallel with the work of the Conference, not only wheat negotiations went on but also certain private international organisations created to study production and marketing of certain products and raw materials were asked to co-operate with the work of the Conference.

On 14th-17th November, 1933, the Economic Committee noted the results of an inquiry by Dr. Lauer into the question of milk products and his suggestion that a meeting might be convened of representatives of certain countries to consider the desirability of further action, and methods to be adopted. It noted that the Sub-Committee appointed by the London Conference to deal with timber problems had adjourned to enable various countries to consider the possibility of making Agreements on exports of soft timber; and considered it advisable to convene experts of some exporting countries before the Sub-Committee resumed its work. It observed that British coal producers did not think it possible to promote negotiations between coal-producing countries.

The Copper Sub-Committee appointed by the London Conference thought it advisable to convene a meeting to see if an agreement for limiting the production and regulating the sale of this commodity was practicable. Most Governments concerned considered that, in view of the degree of organisation in industry, producers should be left to take any initiative with a view to international regulation. The U.S. Government, however, was ready to support the proposal for an international Agreement on production of and trade in copper. On 15th January, 1934, the Council decided to leave in suspense the question of calling a Conference of coal-producing and consuming countries, in view of the

U.K. producers' attitude, as conveyed to it by the Economic Committee.

States parties to the 1931 Chadbourne Agreement (which limited production and regulated foreign trade in sugar in respect of Cuba, Java (Netherlands East Indies), Peru, Czechoslovakia, Poland, Belgium, Germany, Hungary and Yugoslavia), and the U.S. and the U.K., were represented at a Conference in London, 5th-10th March, 1934, convened by the Chairman of the Economic Commission of the London Conference (on the proposal of the International Sugar Council) with the approval of the President of this Conference—in order to resume the work of the London Conference and to facilitate the conclusion of an Agreement on the organisation of the production and sale of sugar. The U.K. Government, as stated at the London Conference, was ready to limit the amount of sugar produced in Great Britain with the aid of direct Treasury subsidies. The U.S. Government (as instanced by the message sent to Congress by the President on 8th February, 1934, the Bill submitted to the Senate on 12th February, 1934, and the proclamation by the Governor-General of the Philippines) said that it intended to restore equilibrium between sugar production and consumption, and thus to stabilise the market. It was ready to discuss the liquidation of stocks without disturbing the international market and, in the future, to limit in principle the production of the Philippines. The meeting considered it vital that the Governments of San Domingo, South Africa, British India, Portugal and Germany, which were not represented at the meeting, should co-operate. There was general agreement with the principle that an international agreement could succeed only if it took as a basis the real needs of the market available for division between the exporting countries, as estimated by statistical calculations. Export quotas would have to be reduced, if necessary, until equilibrium between demand and supply was reached. The object of the Agreement was the raising of world

prices. With the exception of the Netherlands, the Governments (assuming U.S. and U.K. co-operation through the proposals they had made) were ready to guarantee the conclusion of an Agreement allotting the export quotas among the parties to the Chadbourn Scheme. As final agreement seemed distant it was deemed inexpedient to recommend the immediate convoking of a larger meeting. The Bureau of the London Conference and the President of the Meeting were asked to watch the situation.

#### WHEAT CONFERENCE

The wheat problem, as emphasised by many agricultural conferences, seemed most urgent. Around the London Conference it was felt that here, at any rate, perhaps something might be done. A special Conference was called. Summoned under League auspices, it was held in London, 21st-26th August, 1933, 31 States, including the U.S. and Russia, participating in it. An agreement was concluded between wheat-producing and consuming countries regarding the organisation of the production of and trade in wheat. The Secretary-General of the Monetary and Economic Conference, as requested by the four main overseas exporting countries, convened this Conference. These countries thought that such a gathering could suitably be held after the result of the London conversations during, but outside the Monetary and Economic Conference, following on the Geneva talks (May, 1933). The aim of the Agreement was: to adjust wheat supply to effective world demand and eliminate the abnormal surpluses; and also to increase and stabilise prices at a level remunerative to farmers and fair to consumers of bread-stuffs. The overseas exporting countries agreed: to adjust their exports during 1933-4 to conform to export maxima based on the assumption that the world's imports during that period would amount to 560 million bushels; and during the following year to accept a reduction. The European exporting countries agreed to a limit,



fixed for 1933-5, to their exports, recognising that this meant that they could not extend the acreage sown to wheat. The U.S.S.R. agreed to limit exports in 1933-5 after negotiations with wheat-exporting countries. Wheat importing countries agreed: not to encourage any extension of the area sown to wheat and not to take any Governmental measures that would cause an increase in domestic production of wheat; to take all possible steps to increase wheat consumption and to lower customs' tariffs when there was any appreciable improvement in the price of wheat. The Executive of the Agreement was entrusted to an Advisory Wheat Commission comprising representatives of fourteen countries, seven each exporting (including the U.S.) and importing; which would co-operate closely with the League Economic Organisation and with the International Institute of Agriculture. The Chairman could be a member of the Committee or an outside, impartial person. The U.S. delegate declared that this first world economic agreement was a historic one. It was signed by twenty-two States.

#### THE WORK OF THE COMMUNICATIONS AND TRANSIT ORGANISATION

Though it has accomplished nothing spectacular the work of the Communications and Transit Organisation of the League has borne useful fruit in regard, for example, to several transport questions, public works and national technical equipment, the furnishing of technical help to various countries, international aspects of electric power development, international exchange of power, rail and waterways' competition in Europe, air transport and, more recently, road and rail transport.

The second General Conference of the Communications and Transit Organisation was held in 1923, in Geneva, and started examination of the important problem of the international aspects of electrical power development, especially regarding transmission in transit across a State's territory of electrical power produced in

one State, and used in a third, development of water-power affecting more than one State, particularly where international watercourses are used for producing electrical power. The object was to get the use of the finest technical methods disregarding existing political frontiers as far as possible.

The Polish Government asked the Advisory and Technical Committee to send a Committee of Experts to study a scheme of work on the navigable waterways and on the reclamation of marshes in Poland; and the first example of the Organisation's co-operation in the economic development of a country resulted from its detailed studies and the resultant prospects of regulating the Vistula and draining Polesia.

In 1930, the Advisory Committee for Communications and Transit considered a report by a Sub-Committee on questions of competition between rail and waterways in their relation to the European economic system. The Secretariat also was asked to study various aspects of the problem of co-operation and competition between various modes of transport. Temporary Sub-Committees have been formed: *inter alia*, the Committee of Inquiry on Questions relating to Public Works and National Technical Equipment, and the Air Transport Co-operation Committee. The latter was formed in 1930 to consider the possibility of closer co-operation in this field.<sup>1</sup> At its first meeting it recommended that Governments should request the competent international organisations to find means to afford greater freedom to regular international air transport.

In June, 1931, the Committee on Communications and Transit decided on the necessity of an inquiry with a view to extending international agreements regarding inland navigation; and to study, *inter alia*, the

<sup>1</sup> Arising out of (a) a recommendation of the Civil Aviation Experts of the Preparatory Commission for the Disarmament Conference who, in 1927, urged that economic Agreements should be concluded between air transport undertakings in various countries, and (b) a resolution of the Third General Transit Conference (1927) suggesting an inquiry into the international organisation of air transport.

international régime applied in various American countries, taking account of the work of the Pan-American Congresses. At the request of the Commission of Inquiry for European Union it decided to appoint a Sub-Committee to consider the Belgian Government's proposal regarding the international agreements in force in European countries on the international exchange of electric power and on this subject in general.

The Organisation has regular relations with the International Telegraphic Union. In 1931, the Council called for direct contact between the Organisation and the International Postal Union, which resolution was sent to the latter body.

At its meeting in Paris, 30th March–2nd April, 1932, the Committee on Public Works and National Technical Equipment recalled that its work was due to the initiative of the I.L.O.; and stated that the League had to give an opinion recommending the financing of suitable undertakings. It submitted to the Council certain plans for work in Greece, Latvia and Poland. In May, 1932, the Council postponed any decision thereon until a larger number of schemes was received. At its meeting at Geneva, 7th–10th September, 1932, it suggested to the Council further public works schemes for Poland, Yugoslavia, Bulgaria, Austria and Hungary. On 24th September, 1932, the Council asked the Committee to go ahead with the examination of the schemes in suspense and to consider fresh schemes submitted; and also asked that the Committee of Experts studying the questions to come before the World Conference should receive the results of the work of this Committee of Inquiry, with a view to the inclusion of this question on the Agenda of the World Conference. At its meeting in Geneva, 7th–10th June, 1933, the Committee of Inquiry retained further schemes for Bulgaria, Estonia, Hungary, Latvia, Poland and Rumania; and also prepared a report for the Monetary and Economic Conference.

On 6th and 7th May, 1932, the special Sub-Com-

mittee of the Air Transport Co-operation Committee for studying the constitution and operation of an essential network of permanent air routes met at Geneva; and its report was approved by the parent Committee at its meeting on 9th-12th May, 1932. This latter Committee discussed certain aspects of a less rigorous exercise of the rights of sovereignty. In 1935 the Organisation published a report on the economic position of air transport in Europe.<sup>1</sup>

The 1935 Assembly asked the Organisation to have a detailed and systematic examination of the material collected on national public works made by experts, to enable more detailed inquiries to be pursued in this connection later. Also, noting the importance for a great number of countries of the problem of transport co-ordination, especially co-ordination of rail and road transport, it asked the Organisation to study the situation and measures taken to co-ordinate transport in the chief countries concerned, the problem of transport co-ordination being viewed in its widest aspects, technical, economic and financial. In 1934-5 the Organisation published two volumes (one an Addendum) giving the results of its inquiry instituted, showing what countries have done in the way of national public works, their organisation and financing thereof and the economic and social results.<sup>2</sup> In the discussion in the Second Committee of this Assembly, as in the latter's report, it was pointed out that there would be great value in classifying and analysing these national experiments, by a properly equipped central organisation, and in co-ordinating these activities on the international plane; there being several important aspects thereof, social and international, affecting international relations in general.

Suggestions have come before the League for the promotion of international co-operation in Europe in electricity development. Proposals submitted to the

<sup>1</sup> See *Monthly Summary of the League of Nations*, April, 1935, pp. 99-100.

<sup>2</sup> See *Monthly Summary of the League of Nations*, January, 1935, p. 24, and August, 1935, pp. 187-8

League by the Belgian Government in 1933 led to the League carrying out an investigation to prepare for progressive political and administrative unification of international transport and transit of electric power and to draft a general programme for the rational development of a European electricity system. In 1933, it sent a questionnaire to the Governments.

#### TECHNICAL COLLABORATION BETWEEN LEAGUE TECHNICAL ORGANISATIONS AND CHINA AND SIAM

At its Sixty-third Session the Council decided to give the fullest possible aid to the Chinese Government in the task of economic reconstruction, with especial reference to its request for help in the scheme for developing the Hwai River, and other public works, including the development of the Port of Shanghai and regulation of the five rivers whose mouths are near Tientsin. The Siamese Government also asked for the technical advice of experts of the Communications and Transit Organisation, in February, 1933, on the question of improving the approaches to Bangkok Harbour and the harbour's equipment; and an enquiry on the spot was arranged.

The Advisory Committee on Communications and Transit in June, 1931, appointed two Committees of Experts, one to examine all questions relating to public works and national technical equipment, and the other to deal with the training of public works engineers: both with special reference to co-operation with the Chinese Government. In 1932, the latter asked for and obtained expert assistance on agricultural matters. On 3rd July, 1933, the Council noted a communication from it, recalling the two years' technical co-operation between the League and the Chinese National Economic Council,<sup>1</sup> and asking for the appointment of a technical

<sup>1</sup> It was mentioned, *inter alia*, that two high officials of the Secretariat, belonging to the League's technical organisations, and specialists appointed by the Chinese Government on the Secretary-General's advice, had executed missions in China

agent to maintain contact between China and the League—as the Government had decided to undertake a scheme of national reconstruction in certain provinces to be chosen as models. The Liaison Officer would aid the National Economic Council in co-ordinating the activities of the Government's various experts. The Council appointed a Committee to take the necessary action; and this Committee appointed a Liaison Officer for one year.<sup>1</sup> An unofficial U.S. observer attended the meeting of this Committee of the Council, held in Paris, 18th July, 1933. In May, 1934, the Council Committee dealing with technical co-operation with China received a valuable report from the League's Liaison Officer with China;<sup>2</sup> which indicated, *inter alia*, the main lines of co-operation between the National Economic Council and the experts from the League technical organisations, with special reference to agricultural work, rationalisation of the cotton and silk industries, public works, such as flood control, irrigation, improving waterways and road building. In 1934, a group of engineers nominated by the Communications and Transit Organisation was sent to China, at the request of the Government, to study certain water conservancy and road communications problems. On their return they sent a report to the Chinese Government. In October, 1935, after a visit to China in the summer of that year by the Director of the Communications and Transit Section of the Secretariat, the latter published a report on the progress of national reconstruction in China. In March, 1936, the China Committee of the Council approved a plan for a continuation of co-operation between the National Economic Council and League technical organisations in 1936. League economic, communications and health experts went out to China; and Chinese specialists visited Geneva for special studies.

<sup>1</sup> See the *Monthly Summary of the League of Nations*, February, 1934, for a long account of the technical co-operation between China and the League with special reference to public works

<sup>2</sup> See *Monthly Summary of the League of Nations*, May, 1934.

## LEAGUE COMMUNICATIONS

Efforts have been directed to the provision for the League of ample communications, in time of emergency as well as in normal times.<sup>1</sup> A 1925 Assembly resolution affirmed that improvements in railway, telegraphic, radio-telegraphic, telephonic and radio-telephonic communications between the seat of the League and the States Members or non-Members, were very important for the working and development of the League. The Council and the Assembly adopted important resolutions in 1927, 1929, 1930 and 1931, on the importance of such communications in times of emergency; particularly envisaging the establishment of a League Wireless Station and regulations applying to aircraft and motor vehicles effecting transport of importance for the working of the League independent of normal means of communication. Efforts have been directed to the provision of such communications.

The laying-out of an aerodrome near the seat of the League has been suspended provisionally owing to the depression. In 1926, the Council asked the Communications and Transit Organisation to consider the question of placing eventually a radio-telegraphic station at the disposal of the League, to enable it to communicate independently with as many Members as possible. In 1929, the Assembly instructed the Secretary-General to take the necessary steps to provide, as early as possible, a radio-telegraphic station, comprising, in any case, a post with a world-wide radius, so far as it might be technically possible.

In December, 1926, also the Council approved a proposal of the Advisory Committee for Communications and Transit that States Members should designate in advance a central service, with the necessary instructions and powers, to facilitate communications by air with the

<sup>1</sup> See: *Systematic Survey of the Régime of Communications of Importance to the Working of the League of Nations at Times of Emergency*, published by the Communications and Transit Organisation, 1934.

seat of the League; and a 1930 Assembly resolution laid down principles for the according by Governments of facilities for aircraft used for important League air communications. Since then almost all Governments have told the Secretary-General of the League that they would comply with this Assembly Resolution and take the necessary measures. A 1930 Assembly Resolution also instructed the Secretary-General, following recommendations by the above Advisory Committee, to negotiate with Governments of States Members with a view to the taking of similar measures in regard to motor vehicles.

Various proposals have been made for giving the League a wireless station, to ensure independent communications in times of emergency.<sup>1</sup> One of the solutions proposed (Solution *a*) was that the League of Nations itself should own and operate this station at all times, the station being utilised only for official business. The other solution (Solution *b*) proposed by the Swiss Government in August, 1928, which was submitted at the same time by the Advisory and Technical Committee, provided for the establishment of a station which would comply with all the League's requirements, and would carry out the League's programme. This station would be constructed at the cost of the League and would be operated solely on behalf of the League; but in normal times it would be managed by the Radio-Suisse Company, subject to certain definite guarantees to be accorded to the League. In times of emergency, as soon as the Secretary-General considered it necessary, the station would pass under the exclusive management of the League. The arrangement with the Swiss Government would be operative for ten years. After that date it would remain in force by tacit agreement. In normal times, the Secretary-General would have a representative at the station, and would be represented on the board of directors of the Société Radio-Suisse. The League would be credited with all receipts of the short-wave

<sup>1</sup> See an interesting article in *The Times*, 27.2.32, by its League Correspondent, concerning the origin of this Station.



station and would bear all expenses. "Radio-Suisse" would advance the capital needed and would get an annual payment corresponding to the difference between the expenditure on account of interest and Sinking Fund on capital and receipts for the year.<sup>1</sup>

The Advisory and Technical Committee of the League Communications and Transit Organisation studied the problem from 1927 to 1929. It reported finally to the 1929 Assembly, which decided to establish a wireless station with a world-wide range, comprising a short-wave station built at the League's expense, together with the long-wave station already operated by "Société Radio-Suisse", over which the Swiss Government has supreme control, and in which it holds a majority of the shares;<sup>2</sup> the whole plant to pass under the sole orders of the League, whenever the Secretary-General informed the Swiss Government of the existence of an emergency. The Swiss Government would be represented at the station by an observer.

On 18th September, 1930, the League Council approved the Agreement (of 21st May, 1930) signed by the Secretary-General and the Swiss Federal Council, as a result of the resolution of the 1929 Assembly.<sup>3</sup> The station was inaugurated in February, 1933.

## PUBLIC WORKS

Vigorous but unsuccessful efforts have been made by the I.L.O. to induce the Governments, through the League, especially at the London Conference, to co-operate on large-scale international public works. Reference has been made elsewhere to the I.L.O. public works' proposals, to the studies made by a Committee of the Communications and Transit Organisation and to the discussions on this subject at the Monetary and Economic

<sup>1</sup> League Documents, A 18, 1929; VII, 5th July, 1929.

<sup>2</sup> See League Document, C.142, M 33 1928 VIII (C./C T.357), 15th March, 1928.

<sup>3</sup> See also the following League Documents: A.58.1927.IX; C 141, M 32. 1928.VIII (C.C.T.356); A.13.1929.VIII; A.31.1929.VIII; and A 85.1929.IX.

Conference. Other important proposals have been made. M. Delaisi put forward a big plan of European public works backed by Government financial support. Albert Thomas proposed to the Second International Motor Road Congress, at Milan, the construction of an international net of motor roads through Europe, totalling nearly 9,000 miles in length and costing about £160 million (gold). The Committee of European Co-operation, in France, put before the Minister of Commerce, in March, 1932, a scheme of international development providing for a fifteen-year programme of public works in Eastern Europe, asking that it be forwarded to the League. It urged that over 60,000,000 peasants, more or less isolated from world markets, could be brought into touch with international producing countries by developing roads and railways. The European Conference on Tourism and Travel at Nice, in January, 1933, considered the place of public works in a plan of European reorganisation and international financing of European public works. At the Building Exhibition in Berlin, 1932, prominence was given to a huge scheme drafted by a group of German and Swiss engineers: for exploiting the vast source of hydro-electric power in the Mediterranean by winning 175-200 million H.P. by building dams at Gibraltar and Gallipoli; land reclamation in the Mediterranean basin up to 666,000 sq. km.; irrigation of a large part of the Sahara; and a direct means of communication between industrial Europe and Africa's vast supplies of raw materials, with an underground railway. Provision was made for a ship canal on the African and on the European side.<sup>1</sup> In March, 1933, the French Parliamentary Committee of Commerce studied the problem of large-scale international public works. Following the lines of the Delaisi plan<sup>2</sup> Mr. H. Tchironikos put forward, in 1934,<sup>3</sup> a plan for financing a public works' scheme to improve the economic

<sup>1</sup> See *Manchester Guardian Commercial*, 21.5.32, p. 381.

<sup>2</sup> *A Five-Year Plan of European Public Works*.

<sup>3</sup> *Revue économique internationale*, October, 1933.

equipment of the Balkan countries, which would create new outlets also for the industrial products of Western European countries. A common fund should be created in co-operation with the Western countries to cover interest on a loan which should be issued and placed in the hands of a European company, of which the capital should be distributed among the various States. The B.I.S. should be used. In March, 1934, the Secretary-General of the League sent a circular letter to Governments asking for information on the chief categories of public works undertaken or contemplated. The 1935 Assembly asked the Communications and Transit Organisation to have its material on public works examined by a Committee of Experts. Four Western Australians, in August, 1935, urged an international public works' plan, failing which a British Commonwealth plan, devised with courage, energy and statesmanship, to reduce unemployment and revive trade.<sup>1</sup>

A special method of financing large-scale public works has been suggested by Edgard Milhaud.

#### CONTROL OF THE PRIVATE MANUFACTURE OF AND TRADE IN ARMS

Not much success has yet attended League efforts in the direction of controlling the traffic in arms. On 21st July, 1934, in connection with the Disarmament Conference, the Committee for the Regulation of the Trade in and Private and State Manufacture of Arms and Implements of War adopted a draft text on the inspection and supervision of the manufacture of and the trade in arms, following the lines of a U.S. proposal.<sup>2</sup> It provided for the establishment, possibly at Geneva, of an international body, a Permanent Disarmament Commission, which would supervise the manufacture and trade on the basis of a system of licences (for manufacture, and for export or import licences or trade) and the supply of information to it, and which would

<sup>1</sup> *The Times*, 25.8.35.

<sup>2</sup> See Doc. Conf. D/C.G.171.

have the power to gather information and undertake investigations on the spot. There would be permanent and automatic inspection. A publicity plan would cover not only projects for the manufacture of particular arms but their production and subsequent life. All proposals would apply equally to private and State factories. Each Government would assume full responsibility for the production and trade in its territories. The French, Russian, and U.S. Governments and those of some smaller Powers would have gone farther in regard to supervision. On 1st June, 1934, the Russian Government submitted to the General Commission of the Disarmament Conference a proposal for the creation of a Permanent Peace Conference to deal with questions of peace and security as a prelude to the establishment of a Permanent Disarmament Commission. On 20th November, 1934, the U.S. Government submitted to the Bureau of the Disarmament Conference a far-reaching plan for the control of private manufacture and trade in arms.

The Bureau of the Conference, on 20th November, 1934, decided that, pending the conclusion of a complete Disarmament Convention, agreements might be reached on the regulation of the manufacture of and the trade in arms and the establishment of a Permanent Disarmament Commission (together with budgetary publicity); and meetings of the Special Committee for the Regulation of the Trade in and the Private and State Manufacture of Arms and the Committee on Miscellaneous Provisions (Supervision and the Establishment of a Permanent Disarmament Commission) were called, which continued up till April, 1935. The desired agreements, however, were not reached. The former Committee based its discussions on a U.S. proposal, itself based on the Draft Articles adopted on 2nd July, 1934, relating to the categories of arms and implements of war to be controlled, regulation of the manufacture of and trade in arms and implements of war, and the composition, functions and operation of the Permanent

Disarmament Commission. The last point was considered together with members of the Committee on Miscellaneous Provisions. There were different conceptions of supervision and control in the Special Committee; although texts approving the principle that there should be an effective system for controlling and regulating the trade in and manufacture of arms and implements of war were adopted unanimously. The maximum position was approved by France, the minimum position by the U.K., Italy, Japan and Poland, and the U.S. compromise position met with most support. Eventually a report was adopted,<sup>1</sup> setting forth the measure of agreement and the difficulties. There was unanimous agreement on these points: assumption of full national responsibility for supervising manufacture and trade with a view to sending proper information under the Convention; national prohibition of manufacture of agreed categories in private establishments without a Government licence, issued for a given period, revocable at any time and renewable at the Government's discretion; forwarding of copies of licences (and revocation, renewals, etc.) and of certain information about the building of naval armaments to the Permanent Disarmament Commission within a stated period. A majority of the Committee adopted, provisionally, texts<sup>2</sup> providing for a stricter system of control.<sup>3</sup> Unanimity was not achieved in regard to the definition of categories of arms, ammunition and implements of war. There were important differences regarding the returns to be made to the Permanent Disarmament Commission.<sup>4</sup> The Committee adopted certain provisions (with reservations and alternative proposals by a minority of Governments) regarding the trade in arms and implements of war; providing, *inter alia*, for national prohibition of the export

<sup>1</sup> *Report on the Progress of the Work of the Special Committee*, Doc Conf. D.168.

<sup>2</sup> Based on the U.S. text.

<sup>3</sup> See Doc. A 6 1935: *Report of the Work of the League since the Fifteenth Session of the Assembly*, p. 11, for details.

<sup>4</sup> *Ibid.*

and import of articles in certain categories without a Government permit, the sending to the Permanent Disarmament Commission of copies of permits prior to entry or dispatch, of an annual statement of imports and exports effected and of certain information about the construction of naval armaments. It was agreed, unanimously, that a Permanent Disarmament Commission be created, at Geneva, comprising one representative of each contracting party, to watch over the execution of the Convention. A majority of the Committee adopted texts providing: for the appointment of experts by the Commission to accompany its representatives and for the constitution of regional Committees to be entrusted with the duty of following permanently the execution of the Convention by the different States included in each regional group within its respective jurisdiction; and for the Commission to proceed annually, or more often if it so determined, to examine on the spot the conditions in which the national control exercised by each Government over manufacture and trade was organised and the accuracy of information supplied, such inspections being effected through regional Committees. The U.K., Italian, Japanese and Polish Governments would not agree to such continuous and automatic examination and supervision on the spot. The French Government, however, wanted each regional Committee to appoint agents residing permanently in each State for which such Committee was competent. The Committee on Miscellaneous Provisions adopted, on a first reading, draft Articles on the composition and general working of the Permanent Disarmament Commission proposed by the U.S. Members of the Committee collaborated with the Special Committee previously mentioned, in the discussion and report on the detailed system of working of this Commission.<sup>1</sup>

<sup>1</sup> See also *Preliminary Report on the Work of the Conference*, completed by the late President of the Disarmament Conference, just before his death on 20th October, 1935.

ECONOMIC ACTIVITIES OF THE HEALTH  
ORGANISATION

Like the British Ministry of Health the League Health Organisation covers certain economic activities. For example, at a 1930 session of the Health Committee proposals were made for investigation of the question of radium supplies and prices (especially prices and supplies from the Union Minière in Belgian territory). This problem was to be considered further by the Committee. In November, 1934, the Bureau of the Health Committee decided to give effect to suggestions made by the 1934 Assembly for studying certain aspects of urban and rural housing. The importance of the Health Organisation's work regarding rural housing was stressed by the 1935 Assembly. The Health Organisation proposed to hold an International Exhibition of Rural Housing, organised, in Rome, by the Health Organisation, the I.L.O. and the International Institute of Agriculture. In October, 1935, the Health Committee examined a report on *Some Financial and Economic Aspects of Housing*, prepared for the Health Section of the Secretariat by the Financial Section; and also a Secretariat report on *Studies on Urban Housing*. In February, 1936, the Health Organisation published the first of a series of volumes on urban housing in various countries, dealing, *inter alia*, with national housing policy, legislation and State and other public bodies' intervention in housing.

THE BANK FOR INTERNATIONAL SETTLEMENTS AND  
INTERNATIONAL BANKING CO-OPERATION

International banking and financial co-operation has been developed beyond the work of the Financial Committee. A number of suggestions for international banking and financial co-operation has been put forward in recent years. The most striking result, of course, was the formation of the Bank for International Settlements. Outside the League, it has, however, been a

centre of Government co-operation in banking matters, if only inasmuch as Governments are linked so closely with most Central Banks. Proposals have been made within the League for closer association of the Bank with it.

The Bank was established by an International Convention, signed at The Hague, on 20th January, 1930. It began operations on 20th May, 1930. Its object was to promote co-operation by Central Banks and provide additional facilities for financial operations and undertake certain functions concerned with reparations. Shortly, the Bank was to function as a Central Bank for Central Banks, though its operations obviously would be and must be the fruit of experience. By the Statutes prepared by the Organising Committee at Baden-Baden, the Bank was to have its seat at Basle. Its authorised and issued capital was to be 500 million Swiss francs guaranteed by the leading banks of the chief countries. Administration was to be by a Board of: Governors of the Central Banks of Belgium, France, Germany, Great Britain, Italy, Japan and the U.S.A.; seven persons representing finance, industry or commerce, appointed one each by the above Governors, with an additional representative during the period of German reparations annuities, of France and Germany (appointed by the Head of the Central Bank); up to nine persons chosen by the Board from a panel containing representatives of finance and industry nominated (four each—two representing finance and two industry or commerce, including, if desired, the Governor) by the Governors of Central Banks of all countries other than those above wherein capital has been subscribed. Distribution of annual net profits was regulated, provision being made for allocations to reserves, etc. Ownership of shares carries no right of voting or representation at general meetings; but voting rights, proportionate to the number of shares subscribed in each country, may be exercised by the country's Central Bank or its nominee—or by a financial institution of that country appointed by the



Board (with the approval of the Central Bank—if any). Its international character was emphasised when an American was elected as President. The Swiss Federal Government was said to have declared that it could not give hospitality to the Bank for more than fifteen years without a referendum, and that no guarantee of freedom from taxes accorded by the Socialist administration of the Canton and City of Basle could be given. The Bank's President, in November, 1930, said that the Bank was only doing reparation work as secondary work, and was embarking on the wider work of equalising and stabilising the international movement of prices.

Its possibilities for promoting healthy economic development were seen when, in 1930, it arranged for credits to Eastern Europe which suffered from a high rate of interest; and gave assistance to Germany. The Bank acts as a clearing house for national postal administrations. It gave good advice to the Monetary and Economic Conference. Its Third Annual Report, on the eve of this Conference, said: "The world is at the crossroads and must shortly choose whether the future is to take shape along the lines of closed national economies with reduced standards of living, or of the international economy." Two conflicting tendencies have been evident in debate among the Central Bank Governors in the Bank: one in favour of what may be called the Continental European view, of transforming it into a world Bank, a counterpart of the League in the field of world finance and world economy; and the other in favour of reducing the Bank to the status of a mere clearing-office for Central Banks, the view of the bulk of Anglo-Saxon opinion.

It is strange that the criminal follies of the Peace Treaties following the 1914-18 War have been utilised by Fate in the creation of the greatest international institution of all, the International Bank which, at the beginning of the new era of international collective economy, is promoting, under economic necessity, inter-

national co-operation. With the increased representation of collectivist Governments at Geneva this can be used increasingly for the promotion of collective economy. Animated by a desire to promote collective economy the Bank could dictate the world's monetary evolution along collective lines. It could use its funds to develop backward regions and to promote public works, such as electrification and improved transport facilities. In fact, it could plan the world's economic development, in co-operation with a League organ planning world economic development as a whole.

The day will come when the Bank will perform the true functions of an international collective bank, the guidance of the whole world economic system. With every advance in this direction, as international rationalisation proceeds, this Bank will need to participate in ownership and control of industry, just as the Bank of England has done and is doing increasingly in the rationalising of British industries. Just as, nationally, Collective Banks will exact shares in and control of industry in return for their imperative aid, through credit and subsidies, so will the International Bank act likewise. It could do much to restore and develop world trade, as the 1935 Assembly realised in asking it to co-operate with the League regarding the study of clearing agreements. Edgard Milhaud's plan for an international compensation system also envisages interesting possibilities for it in this connection.

Of course, there is a grave danger inherent in the existence of such an organ, which could be used easily in the interests of the financial as against those of the producing sections of the community. Still, international economic organisation is imperative and it is a big step forward to replace financial anarchy by such an international institution. During the early stages of its development States whose Governments control their central banks and have important banking interests, while, in their representation in the government of the bank, they will infect it with collective tendencies, yet

will want to lose nothing of their power gained by national collective control. It cannot be emphasised too strongly, however, that, in the world as it is, international organisation is essential; for even the best national collective bank cannot stand against world monetary forces. Therefore, national banking and political interests must not stand in the way of its development. The League is the only organ in the international sphere representing the collective interest; and it, therefore, is destined to control the International Bank in the public interest, for the latter must be safeguarded. The League must utilise it in its work of planning the world economy in which it will have a central place. At the 1929 Assembly the Danish, Norwegian and Polish delegates submitted a resolution urging that: inasmuch as the Bank would exercise functions concerning not only reparations but also the general credit structure of the world, and therefore the economic life of all countries; and that as under Article 24 of the Covenant the principle was accepted that the International Bureaux and Commissions affecting the regulation of matters of international interest should be placed in relationship with the League; while recognising the importance of giving the Bank due independence in conducting its financial business, arrangements should be made in the light of the above considerations, to establish an appropriate relationship between the Bank and the League, with such consultations as might be desirable for the purpose, which would take due account of the general public and world interests that are involved. In the Second Committee the German, British Empire, Belgian and French delegates, among others, disagreed with this proposal, which was then withdrawn.

The Joint Committee of the Labour and Socialist International and the International Federation of Trade Unions, meeting in 1930, demanded the transformation of the B.I.S. into an organ of international credit policy for the prevention of the flow of capital from countries which are poor in capital, and with an international

credit policy directed towards a uniform distribution of gold.<sup>1</sup>

Elsewhere reference is made to the International Agricultural Mortgage Credit Company and to the League's investigation of M. Francqui's plan for an international industrial credit institution. In 1930, it was suggested in certain quarters that an Imperial Mortgage Bank should be formed in London, feeding the mortgage banks of Canada, Cyprus, Palestine and the rural credit departments of New Zealand, South Africa and Australia with capital and being ready for use by India and Dependencies and Protectorates of Africa when they had their own mortgage banks. It was advocated by the *Statist*<sup>2</sup> that it should replace the casual nature of sources of supply of capital secured by mortgaged property in the Empire by a systematic arrangement thereof.

A Viennese expert,<sup>3</sup> in 1931, advocated that the silver-producing countries (Mexico, U.S. and Canada), the silver-hoarding countries (China and British India), and the countries trading with Asia should join to establish an international silver bank, with headquarters in some Eastern centre. In January, 1931, Mr. Arthur Meighen, the former Canadian Prime Minister, advocated the establishment of a world bank for the concentration of the gold reserves of all gold standard nations under the control of the leading bankers of the world, with powers to extend gold reserve credit to nations whose purchasing powers are temporarily crippled. At the European Economic Congress, at Basle, in 1932,<sup>4</sup> the Monetary Commission recommended, *inter alia*, the unification of national monies, the introduction of a single monetary system and the unification of all central banking organisations.

<sup>1</sup> Note that the 1935 Assembly asked the Bank to co-operate with the League in certain action regarding Clearing Agreements. See Resolution on Clearing Agreements adopted by this Assembly.

<sup>2</sup> 13 9.30.

<sup>3</sup> See *Manchester Guardian Commercial*, 5.2.31, p. 128

<sup>4</sup> See *Revue économique internationale*, November, 1932, and *L'Année Sociale*, 1932-3, published by the I.L.O., Geneva.

SUPERVISION OF THE DRUG TRAFFIC: AN EXPERIMENT IN  
INTERNATIONAL COLLECTIVE ECONOMY

The Drug Traffic has given the League the opportunity of applying the principle of public control of industry on a large international scale for the first time. The League now has complete supervision of this industry, for which there is an international administration, world-wide in scope, regulating and supervising daily the relations of the contracting States in their capacities as manufacturers, exporters, importers or consumers of particular industrial products. Let the history of the control of the drug traffic be recalled. The 1912 Hague Convention set up national supervision over the manufacture of and domestic trade in narcotic drugs: it was ratified by six countries before the League took over supervision of its execution. There was no means of settling the world's legitimate needs regarding drugs; no import certificate system; no system of co-ordinated international statistics; no international law; and no international administration to co-ordinate and supervise Governments' actions.

The League set about building up international law, through international conventions, developing an international administration, examining Governments' laws and reports, keeping a list of licensed factories, elaborating international statistics, working out principles of national legislation and administration and, even, drawing up a Model Administrative Code at Geneva to assist Governments in applying the two chief Conventions—a remarkable innovation. The Advisory Committee on Traffic in Opium and other Dangerous Drugs (representing twenty-five Governments) was set up as an advisory organ of the Council to collect all necessary information and watch over the application of the 1912 Convention and the 1925 Convention on import certificates and export authorisations. Under this latter Convention, also, the Permanent Central Opium Board was created to watch the course of international trade on

the basis of statistics from Governments with which the Convention supplied it. Moreover, in the Board it created a unique system of world accountancy: a group of independent experts for using this system to ensure that drugs manufactured, exported or imported in the legitimate trade did not escape into the illicit traffic.

Then came, in 1931,<sup>1</sup> the supplementary Limitation Convention, giving a complete system of limitation of manufacture of dangerous drugs to the world's legitimate needs<sup>2</sup>: it limits on an international basis, directly, quantitatively and qualitatively—a piece of world planning. The 1931 Convention set up a Supervisory Body to examine estimates sent by Governments and to make estimates where they are not given. This task of making estimates is the first piece of universal administration undertaken by the League: the system of estimates applies to every State and administrative unit in the world. Under the Convention the Permanent Central Opium Board checks statistics of actual international trade against legally binding estimates contained in statements supplied.

The stages of the League's control are, therefore, these. For every forthcoming year the Supervisory Body, on 1st November, draws up an international plan; States giving estimated requirements, in the absence of which these requirements are framed by the Supervisory Body. This is the authorised amount of world consumption and manufacture for the year; which is the basis of all national and international control. This plan is applied and controlled nationally and internationally. There is general supervision by the Opium Advisory Committee of legislative and administrative application of the Convention; modification (if necessary) of the estimates dealt with by the Supervisory Body; and supervision by the Permanent Opium Board of international

<sup>1</sup> At the 1931 Conference Señor Perez (Argentina) said that the ideal solution would be the nationalisation of the trade and its exploitation as a State monopoly, eliminating the middlemen and preventing leakages into illicit channels.

<sup>2</sup> By October, 1934, there were 58 ratifications or accessions for the 1912 Convention, 52 for the 1925 Convention and 48 for the 1931 Convention.

trade on the basis of quarterly statistics of imports and exports.

It is not suggested that this has solved the whole drug problem. A world drug monopoly, under League control, producing its own raw materials on its own drug farms and manufacturing the finished drugs in its own factory is the only effective means of controlling the trade.<sup>1</sup> The Final Act to the 1931 Convention on the Limitation of the Manufacture of Narcotic Drugs, Clause IV, went a step in that direction, in recommending Governments to consider the desirability of establishing a State monopoly over the trade in and, if necessary, over the manufacture of the drugs covered by the Convention.<sup>2</sup>

In 1933 the Advisory Committee on Traffic in Opium and other Dangerous Drugs stated that, in accordance with an Assembly (1931) resolution, it had consulted Governments in connection with a Conference to consider the possibility of limiting and controlling the cultivation of the opium poppy and the cultivation and harvesting of the coca leaf. The 1935 Assembly appealed for universal application of the 1935 Geneva Convention, the 1931 Limitation Convention and The Hague Convention. It drew Governments' attention to the list, drawn up by the Advisory Committee, of authorities issuing import certificates and export authorisations covering nearly all sovereign countries—to aid Governments in supervising the international trade. It noted the preparations for a Conference to consider the possibility of limiting the production of raw opium and the coca leaf, which were being made by the Advisory Committee; which realises that limitation of production of raw materials would, if effectively applied, be a valuable step towards the final suppression of illicit traffic and drug addiction. The serious problem of clandestine manufacture, it recognises, naturally depends on the liberal supply of raw materials. It urged Governments

<sup>1</sup> A useful volume on this subject has been written by L. E. S. Eisenlohr, *International Narcotics Control*.

<sup>2</sup> This was suggested by the Russian Government delegate.

of producing countries to send full information to the League Secretariat without delay, to enable a Conference to be called to consider the possibility of limiting and controlling the cultivation of the opium poppy and the cultivation and harvesting of the coca leaf. It noted that some of the chief opium-producing countries already had taken important measures to reduce cultivation, especially the Chinese Government's programme for suppression, within a fixed time limit, of cultivation which is being put into effect. It was also noted that the Advisory Committee was to discuss Government measures to stop clandestine manufacture. It was reported that Governments were considering an important Draft Convention on Suppression of the Illicit Traffic; and it was hoped that an international Conference would be able to meet in 1936 to reach agreement on effective steps to co-ordinate the various national and international forces to combat this traffic. The Assembly noted the progress made by the Advisory Committee in studying the problem of the control of Cannabis (hemp) and drugs derived therefrom, in view of the tendency in certain countries, where there is a scarcity of manufactured drugs, to replace them by Cannabis. The Advisory Committee had sent to Governments a resolution stating that as the 1931 Convention did not allow export of seized drugs, if not destroyed or converted but reserved for medical and scientific use, they should be devoted to requirements of hospitals and scientific institutions or incorporated in Government stocks. It was observed that 55 States had ratified the 1931 Limitation Convention, 52 the 1925 Geneva Convention and 59 The Hague Convention.<sup>1</sup>

In December, 1935, the Committee of Experts adopted the final text of the Draft Convention for submission to the Diplomatic Conference which the Council decided to summon on 8th June, 1936, at Geneva (including States non-Members of the League), after a preliminary

<sup>1</sup> See, *inter alia*, League Assembly (1935), Doc.A.V./6.1935, 14th September, 1935



effort to reach an understanding between producing countries.

#### THE LEAGUE AND NUTRITION

"It is not only possible but necessary that men should live more abundantly."

Following the decision of the 1935 International Labour Conference calling for a study of the question of nutrition, the 1935 Assembly considered a report on "Nutrition and Public Health".<sup>1</sup> The Assembly asked the Health Organisation to continue its studies, instructed the League technical organisations, in collaboration with the I.L.O. and the International Institute of Agriculture, to collect and publish information on the measures taken by different countries to secure improved nutrition, and urged the Council to appoint a Committee, including agricultural, economic and health experts, to report to the 1936 Assembly on the health and economic aspects of the problem. On 28th September, 1935, the Council asked its President to nominate such a Committee, including I.L.O. and International Institute of Agriculture representatives, and containing experts on health, economic, social and agricultural aspects. In urging the League to adopt such a motion the Australian Government delegate, the Rt. Hon. S. M. Bruce,<sup>2</sup> said that the problem concerned food products essential to bring about improvement in national health, the "protective foodstuffs", which "include milk and dairy products, vegetables, fruit, eggs and meat".

Unfortunately these forms of food are relatively expensive and, as a result, in the poorer countries a large proportion of the population can make little use of these sources of health. Even in richer countries a very substantial proportion of the poorer classes

<sup>1</sup> See, also, Report of Proceedings of the Meetings of the Health Committee in October, 1935, together with the reports and sources of information mentioned at that meeting and in the League Press Communiqué, No. 7559, 10th October, 1935. Special emphasis was laid on the health aspects of the problems of production, consumption and distribution, and on the necessity of harmonising economic and public health development.

<sup>2</sup> Speaking in the Assembly, 11th September, 1935.

is living on diet that, from any modern standard, can only be regarded as deficient.

Even in countries where relatively high standards of living prevail,

it is apparent that a proportion of the population, varying from ten to fifteen per cent, and even to much higher figures, is living on diets that cannot give adequate protection from disease and which are certainly insufficient to build up the powers of resistance of children and of mothers. . . .

Is it not possible, he urged, to marry health and agriculture? The same speaker, in the Second Committee, said that we have had 150 years of the most brilliant scientific achievement that the world has ever seen: inventions perfected in various branches of human activity, industry, agriculture, mining, transport, etc.; but no corresponding improvement in the standard of living of the peoples of the world. On the contrary there has been much poverty because the economic sciences have not kept pace with industrial improvements. He suggested that there was another way out of economic difficulties than restriction of production. Increased consumption and an improved standard of living would help to solve the economic problem. He asked four questions: (1) Would increased consumption improve national health and efficiency? (2) How could we increase consumption? (3) What would be the effect of increased consumption in improving the world's agricultural position? (4) What would be the effect of such improvement on the general world financial and economic situation? The poorest parts of the world, with huge populations, are definitely underfed. There is insufficient nutrition even in advanced countries. Mr. Hoover, as U.S. President, in 1929, said that in the U.S., even when prosperity was at its height, six million children were still underfed, and it was worse in other countries with a high stage of development. This led to a close connection with the problem of raw materials. Governments could see if the method of

distributing raw materials in various countries did not handicap consumption; e.g. if the margin is not too great between the cost price of foodstuffs and the price at which these commodities are sold to the public. Governments could begin by helping in feeding Crown forces and the unemployed. Mr. Bruce condemned the attempt to help agriculture by restrictions of production. In the ensuing discussion in the Second Committee stress was laid upon the social, humanitarian, health and economic aspects of the problem; the value of increasing consumption of desirable foodstuffs and of fruits; the help that could be given to agricultural countries in increasing the purchasing power of agricultural workers; the improvement of health, the education of the people on food values and the great chance of eliminating poverty. The Argentine delegate deplored the anomalous position, that many people were underfed though there existed a surplus of foodstuffs: "Apart from collective security, we should endeavour to realise collective economic security and secure satisfactory nutrition." He also pointed out that countries like Argentina and other Latin-American countries were forced into industrialisation because of the barriers against exports; which showed us, again, how uneconomic, taking the world view, such a policy is. The French Government asked for a world-wide inquiry comprising poor countries with a dense population living in a chronic state of famine or semi-starvation, with a view to an inquiry which would cover all resources, as well as all that is lacking—in brief all "possibilities" of production, of consumption and of a world interchange from the widest point of view as regards the future development of human well-being: one would then have a greater knowledge of conditions in those countries, the extent to which wholesome foodstuffs are cultivated and the size of the potential market for them. The New Zealand delegate made references to suggestions put forward by Sir John Orr at the British Association meeting in 1935, on the setting up of public utility

societies, under State subvention, to organise purchase and sale of products under conditions guaranteeing a more rational supply of foodstuffs for the poorer classes. The British delegate said that the problem of poverty in plenty was a challenge to statesmen that no one could afford to ignore. There was the problem of surplus stocks, limitation of production and distribution of foodstuffs. The British Government "could envisage no retreat from the policy of 'planning the market', adopted in the last few years"; but such planning should be for the purpose of expansion rather than restriction. A Spanish Government amendment wanted the Committee's terms of reference to include the effects on nutrition regarded from the standpoint of public health of a reduction in impediments to the circulation and distribution of commodities. He wanted a study of the advantages to public health accruing from a fall in retail prices due to better trade facilities. He raised the important question of the spread in prices between producers and consumers and of the need for reducing distribution costs. The French Government did not like this plan, thinking it dangerous to treat "very controversial questions affecting international economic relations". He was afraid that it involved discussion of agricultural policy! The Spanish delegate succeeded in getting a decision that the Committee should contain economic and agricultural, as well as health experts and that the economic aspects should be explored.

In deciding upon this study the League has taken an important step in the direction that can lead it out of its eighteen years of impotence into an era of effective action. Its fundamental task is to attack poverty.

An Expert Committee on Nutrition,<sup>1</sup> appointed by the Health Committee's Chairman, met in London, in November, 1935. A special I.L.O. Committee was formed to aid the Secretariat's studies. The Mixed Committee on the Problem of Nutrition, appointed by the Council, met at Geneva, 10th-15th February, 1936,

<sup>1</sup> On medical and health aspects of the problem

and, with the collaboration of the I.L.O., the International Institute of Agriculture and the League Economic Organisation, drew up the basis of a provisional report to the 1936 Assembly. Its Chairman stated that the spread between wholesale and retail prices, the effect of national monopolies, tariffs and protective policies and sales cartels, would have to be considered.<sup>1</sup>

#### MEASURES TO RENDER THE COVENANT MORE EFFECTIVE IN THE ORGANISATION OF COLLECTIVE SECURITY

Like other Articles of the Covenant, Article 16 has implied concerted preparatory action in the economic sphere; but, till April, 1935, very little was done apart from discussions during the 1920 Assembly and the 1921 Assembly<sup>2</sup>—on the Report of the International Blockade Committee—the de Brouckère Report (1926) and the Rutgers Memorandum (1928).<sup>3</sup> On 17th April, 1935, the Council appointed a Committee of Thirteen, to propose measures to render the Covenant more effective in the organisation of collective security, and to define, in particular, the economic and financial measures which might be applied should, in the future, a State, whether a Member of the League or not, endanger the peace by the unilateral repudiation of its international obligations.<sup>4</sup> It met at Geneva, from 24th to 29th May, 1935, and appointed a Sub-Committee of Jurists and a Sub-Committee on Economic and Financial Measures. The latter had to study whether a selection of measures less comprehensive than those prescribed under Article 16 could be found, without disturbing a country's whole economic life,

<sup>1</sup> It adopted a report of the Technical Committee on Nutrition of the Health Committee on what constitutes a proper diet for various kinds of workers. See *Monthly Summary of the League of Nations*, February, 1936, pp. 46–52.

<sup>2</sup> The 1921 Assembly's Resolution on the application of Article 16 had been accepted as the guide to the way in which Sanctions should be applied.

<sup>3</sup> See League Doc A.14.1927, including the *Report of the 1921 Assembly and the de Brouckère Report*; and the *Rutgers Memorandum*, Doc. C A S.10 1928.

<sup>4</sup> See League Doc A.6.1935, pp. 41–4, for the terms of the Resolution adopted by the Council and the discussion thereon.

to induce that country to modify its course of action. The Committee suggested the study of such matters as: (1) the withholding from it of supplies of a limited number of key products for the production of arms and warlike preparations; (2) the withholding of any other special classes of supplies (other than food supplies essential to the subsistence of the civilian population); (3) interruption of the export trade of the country or any special part of it; (4) measures of financial pressure such as the withholding of credit facilities; (5) the administrative and legislative means to be used by participating States in carrying out such measures; (6) to what extent and in what conditions the requisite effect could be obtained by arrangements of a regional character or requiring the action of only a limited number of States. It reported<sup>1</sup> on these various points.

The most practical development in international economic co-operation since the war—it takes a war, or a threat of war, to produce practical, international economic co-operation!—occurred in connection with the application of economic sanctions in connection with the Italo-Ethiopian dispute, under Article 16 of the Covenant. On 10th October, 1935, the Assembly set up a Committee for considering the co-ordination of the measures to be taken in virtue of this Article, comprising the 50 States voting for this measure.<sup>2</sup> At its first meeting, on 11th October, this Committee in turn appointed a small Committee to submit proposals to it: this Committee became the Committee of Eighteen.<sup>3</sup> On 11th October, this latter Committee appointed two Sub-Committees: a Committee of Financial

<sup>1</sup> See Doc. C.O.S.C. 7(1).

<sup>2</sup> It was difficult to define its status. Juridically it was not a Committee either of the Assembly or of the Council, but an independent body capable of instituting its own procedure and to proceed, by a majority vote, to decisions, without consulting any other body. In effect it replaced the Assembly, eliminating Italy for the purpose of this dispute. *N.B.*—Austria and Hungary voted against it.

<sup>3</sup> It comprised Argentina, Belgium, Canada, Czechoslovakia, France, Great Britain, Greece, Holland, Mexico, Poland, Portugal, Rumania, Russia, South Africa, Spain, Sweden, Switzerland and Turkey.

Experts;<sup>1</sup> and a Committee of Military Experts.<sup>2</sup> On the same day the full Co-ordination Committee adopted the Committee of Eighteen's proposals for raising the embargo on the export of arms and munitions to Abyssinia and for imposing an embargo on such exports to Italy, and prohibiting the re-exportation or transit thereof to Italy or her possessions, together with a Schedule of such arms and munitions, known as "Proposal No. 1"<sup>3</sup>. In the Committee of Eighteen, on 12th October, Great Britain proposed a complete embargo of Italian exports as the first economic sanction, supplemented by an embargo on the export to Italy of raw materials<sup>4</sup> and key-products for prosecuting the War.<sup>5</sup> The French delegate preferred, first, an embargo on key-exports<sup>6</sup> to Italy and this was considered first. The Rumanian delegate asked for the appointment of a Committee of Compensation to consider how far members suffering serious loss in applying such an embargo could be compensated by a rearrangement of markets among members themselves or, possibly, by direct financial

<sup>1</sup> Representing France, Great Britain, Greece, Holland, Poland, Roumania and South Africa. See League Press Communiqué, No 7566.

<sup>2</sup> Representing France, Great Britain, Russia and Spain. This Committee had to consider additions to the list of arms and war material affected by the League embargo.

<sup>3</sup> See *The Times*, 12 10 35, for the text of the Resolution and Schedule on this question, as adopted. Governments were asked to inform the Secretary-General at the earliest possible moment of action taken in accordance therewith.

<sup>4</sup> Cutting off 70 per cent of her foreign trade and affecting, to that extent, her power of purchasing goods or raw materials abroad.

<sup>5</sup> See *The Times*, 14 10 35. The full text of the British Proposal, League Doc. C O R D./S.C.M.E. No. 2, is contained in *The Times*, 17th October. *The Observer*, 13th October, says that the British delegate also suggested, in his speech, the virtual rationing of exports to countries not belonging to the League on a quota basis (at least as regards vital commodities needed in time of war, thus minimising non-League Members' opportunity to increase their imports for re-export to Italy).

<sup>6</sup> I.e. certain metals and chemicals, followed by the cessation of the export of coal and oil and other products needed for fuel, unless such a prohibition were rendered ineffective by shipments of a specified commodity to Italy by a non-Member of the League. He thought that it might go too far at first to deprive Italy of the possibility of importing essential requirements for its civilian population.

assistance.<sup>1</sup> Russia, supported by Rumania, urged that action be taken to stop members not applying the Covenant (Albania, Austria, and Hungary) and non-Members of the League from defeating collective action, and that pressure be exercised on defaulting States.<sup>2</sup>

The Committee of Eighteen, on 14th October, set up a Legal Committee<sup>3</sup> to consider legal and constitutional questions involved and appointed Economic<sup>4</sup> and Compensation<sup>5</sup> or Mutual Support Sub-Committees under Article 16, Paragraph 3.<sup>6</sup> On 14th October, the Co-ordination Committee adopted "Proposal No. 2", relating to financial measures,<sup>7</sup> submitted by the Committee of Eighteen on the recommendation of its Financial Sub-Committee; providing for immediate action by Governments of States-Members to stop these transactions: all direct or indirect loans, subscriptions thereto, bankers' or other credits, renewal of existing credits or loans, issue of shares, or other appeals for money for the purpose of obtaining funds for the Italian Government or for Italian public bodies or for persons or corporations in Italian territory. These measures would not apply to payments made for humanitarian purposes, including religious institutions. Governments were to

<sup>1</sup> He instanced Rumania's heavy oil exports to Italy, which would involve financial loss out of proportion to Rumania's share in applying collective action.

<sup>2</sup> This proposal, which apparently was not discussed, envisaged the reduction of loans and credits to Albania, Austria and Hungary to the minimum of their national requirements.

<sup>3</sup> Representing Belgium, France, Great Britain, Greece, Holland and Poland.

<sup>4</sup> Representing Belgium, Canada, France, Great Britain, Holland, Poland, Rumania, Russia, Spain, Sweden, Switzerland and Turkey.

<sup>5</sup> Representing France, Great Britain, Greece, Mexico, Poland, Rumania, Russia, South Africa, Spain and Yugoslavia.

<sup>6</sup> These points, *inter alia*, were regarded as important for consideration: desirability of ascertaining what percentage of the general trade of each country is constituted by its transactions with Italy as a whole, transit towards Italy; co-operation by States Non-Members of the League, the attitude that would be adopted by Austria and Hungary, especially as regards transit of commodities towards Italy.

<sup>7</sup> The full text is contained in *The Times*, 15.10.35. As the Argentine Government talked of constitutional difficulties in applying these provisions, a paragraph was inserted in this Proposal asking States to let the Committee know by what date the requisite legislation would be secured.



notify the Committee of action taken in this respect. This step was facilitated by the Report of the Committee of Thirteen, set up by the Council, on 17th April, 1935, which recommended the prohibition of various financial operations calculated to help a Covenant-breaking State.<sup>1</sup>

The Co-ordination Committee also adopted a Resolution<sup>2</sup> declaring that proposals for action under Article 16 of the Covenant were based on Paragraph 3 of the Article, providing for mutual support in taking economic and financial measures. On 15th October, the Economic Sub-Committee decided to consider first the question of the embargo on certain raw materials (key-products) to Italy, and then the prohibition or restriction of imports from Italy. It discussed the question of what commodities, raw materials or key-products might be put under an embargo;<sup>3</sup> and dealt first with those needed for manufacturing munitions, i.e. (apart from manufactured explosives, prohibited by the embargo on arms and munitions) iron ore, nickel, tungsten and cotton, with oil and coal also as essential raw materials. It drew up two provisional lists of raw materials and key products: (1) including those entirely supplied by States Members, which could be stopped completely;<sup>4</sup> and (2) including those supplied wholly or partly by non-Member-States, whose co-operation would have to be sought to provide an effective embargo.<sup>5</sup> It was borne

<sup>1</sup> See p. 127. The above measures included most of the Committee of Thirteen's recommendations, but not those in favour of preventing nationals of a Covenant-breaking State from using their credit abroad and of suspending the service of interest and amortisation on the credits of the offending State in other countries. See *The Times*, 14.10.35.

<sup>2</sup> Proposed by the U.K. delegate. See League Press Communiqué, No 7570, and *The Times*, 15.10.35, for the full text.

<sup>3</sup> Using as a source of information, *inter alia*, Sir Thomas Holland's book, *The Mineral Sanction*, which studies the extent to which Italy depends upon other countries for metals and minerals.

<sup>4</sup> For example, the British Commonwealth and France control nickel, as 90 per cent of world supply comes from Canada and most of the rest from French possessions.

<sup>5</sup> Thus the U.S. position affected cotton and the German attitude, with possible transit through Austria, affected coal. This list included ships, vehicles and some manufactured articles, such as optical equipment for military purposes.

in mind that the Italian output of certain of these products seemed sufficient.<sup>1</sup> The desirability of including certain manufactured products in the embargo was considered. In the Sub-Committee on the Organisation of Mutual Support it was made quite clear that there was no idea that certain countries should get compensation, or that others should give it, for sacrifices made; but that the Committee sought agreement to minimise the loss and inconvenience resulting from applying sanctions. Arrangements were made to study an analysis of Italy's trade with other countries and the proportion of each country's foreign trade represented by its trade with Italy. Discussion of the British proposal for an embargo on Italian exports began in the Economic Sub-Committee on 16th October. On this date, in the Sub-Committee on the Organisation of Mutual Support these questions, *inter alia*, were raised; the desirability of intensifying commercial exchanges between countries applying economic sanctions, following on the rupture of commercial relations with Italy; the desirability of encouraging commercial exchanges between these countries, to the detriment of countries not participating in sanctions, thus securing an advantage from sanctions imposed by others; the desirability of giving a priority, in the readjustments in the markets of other States resulting from the eviction of the aggressor State, to States remaining faithful to their international engagements; and the creation of a common fund, drawn from a special tax on transactions with Italy, to enable compensation to be granted to countries suffering loss from applying sanctions. Two tendencies were revealed in these discussions: one emphasising that there was a legal obligation to endeavour to grant compensation to certain States, and another emphasising that practical means should rather be sought to give satisfaction to everybody.

On 16th October, the Co-ordination Committee

<sup>1</sup> One member gave particulars of Italian production, imports, exports and consumption and of the chief world producers of certain of these products.

adopted a revised list of arms, ammunition and implements of war to be annexed to "Proposal No. 1",<sup>1</sup> submitted by the Committee of Eighteen, on the recommendation of its Military Sub-Committee. It also adopted a resolution submitted by the Committee of Eighteen, recommended by its Legal Sub-Committee, emphasising that as each country must apply measures proposed by the Co-ordination Committee in accordance with its public law and in particular the powers of its Government in regard to the execution of treaties, States-Members are bound, under Article 16, to take the necessary steps to enable them to carry out these obligations with all requisite rapidity.<sup>2</sup> This was a most important step forward in the League's history.

As the Economic Sub-Committee continued its work it tended to make three divisions of the raw materials and key-products on the supply of which it wished to place an embargo: (1) including those wholly controlled by League Members, aluminium, bauxite, chromium, ferro-alloys, iron ore, manganese, molybdenum, scrap-iron, tin, tin-ore, tungsten, vanadium, which would be stopped at once: (2) including those over which League Members have not entire control such as, coal, copper, cotton, magnesite, magnesium, petroleum, pig-iron, steel, on which non-Members' action would be a decisive factor; (3) those in a special position, on account of their origin or of the various uses to which they may be put, such as, machine tools, nitrates, nitric acid, pack animals, rubber, to be considered separately. Other matters discussed in this Sub-Committee included: the prevention of goods of which the export to Italy was prohibited from reaching Italy by indirect means; simultaneous enforcement of the embargo on exports to Italy and the prohibition of Italian exports; recommendations regarding the transit of goods subject to an embargo; the possibility of extending the embargo to certain commodities other than metals or minerals, such as

<sup>1</sup> See Doc. Committee XVIII/8.

<sup>2</sup> The Argentine delegate expressed approval of this resolution.

rubber and certain live stock, on which immediate action could be taken and to certain manufactured products such as machine tools, motor-cars, railway material, ships and vehicles and nitrates, to be considered later. To overcome certain difficulties mentioned in prohibiting the import of goods from Italy it was suggested that a Permanent Economic Committee be set up to supervise the application of sanctions. The Swiss delegation urged that a country in exceptional circumstances, such as Switzerland, might be allowed to continue exchanging goods with Italy on the understanding that no cash transaction was involved (i.e. on a barter basis) and that the balance of trade between the two countries was not altered.

The Sub-Committee on Mutual Support decided that the burden of sacrifice must be distributed as fairly as possible. It considered how far Governments could influence the readjustment necessitated by the change in the flow of commercial currents caused by the application of economic and financial sanctions. It was suggested, for example, that Governments might change the rate of import quotas for commodities subject to import licences, which is the case regarding many Italian agricultural exports and certain key products. Countries sharing in common action, especially those suffering most, might be given preference over Italy and non-participants. Another view generally expressed was that the application of sanctions was a case of *force majeure*, in which the strict application of the most-favoured-nation clause could not be insisted upon, if its application ran counter to the common action. The creation of a common organisation for banking credits was suggested, to aid States applying sanctions likely to suffer from a shortage of foreign currency, owing to inability to export to Italy. Another proposal envisaged the creation of an international sales organisation to regulate, as far as possible, the sale of commodities formerly exported to Italy. A permanent technical Committee to overcome difficulties should be set up

if the application of sanctions proved to be of long duration. The French delegation suggested that a single Committee should supervise the application of all measures, economic and financial, adopted by the League.

On 19th October, the Committee of Eighteen considered the report of the Sub-Committee for Economic Measures. It decided that, whereas financial measures could be applied separately, each economic measure must be part of a general programme applied simultaneously to avoid confusion and the securing of unfair advantages by certain States. It therefore fixed 31st October as the date on which it would decide when economic measures should be enforced. On 19th October, it adopted proposals made by its Sub-Committees for recommendations to Governments concerning: the prohibition of imports from Italy ("Proposal No. 3"); an embargo on the export of various commodities to Italy ("Proposal No. 4"); and the organisation of mutual support between States participating in the economic and financial measures, as provided in Paragraph 3 of Article 16 ("Proposal No. 5"); and also a Proposal that the Committee of Eighteen should continue to sit and become the Committee for the Application of Sanctions, authorised to appoint technical or other Sub-Committees, if necessary, consisting of representatives of countries represented in it or of other countries represented in the Co-ordination Committee. The Co-ordination Committee adopted these proposals, submitted by the Committee of Eighteen, on the 19th October;<sup>1</sup> and authorised its President to inform non-Member States of its decisions in regard to Sanctions, inviting their replies or observations, or information regarding their action thereon.<sup>2</sup> The President emphasised the historic importance of the step forward taken by the League in devising a method of applying Article 16, which was being tried for the first time.

<sup>1</sup> Reservations on various points were made by certain States, in addition to the dissent expressed by Austria, Hungary and Albania.

<sup>2</sup> Doc 32.

Under "Proposal No. 3," States-Members bound themselves to prohibit imports of all goods (other than gold or silver bullion and coin) from Italy or Italian possessions, without excepting goods the subject of existing contracts. Under "Proposal No. 4," they agreed to prohibit exportation and re-exportation to Italy or Italian possessions of:

(a) horses, mules, donkeys, camels, and all other transport animals; (b) rubber; (c) bauxite, aluminium and alumina (aluminium oxide), iron-ore and scrap-iron, chromium, manganese, nickel, titanium, tungsten, vanadium, their ores, and ferro-alloys (and also ferro-molybdenum, ferro-silicon, ferro-silicon-manganese, and ferro-silicon-manganese-aluminium), tin and tin ore. List (c) includes all crude forms of the minerals and metals mentioned and their ores, scrap and alloys.

Prohibition applied to contracts in course of execution. To ensure simultaneous action Governments were asked to inform the Secretary-General, by 28th October, of the date by which they could operate these measures. The Co-ordination Committee entrusted the Committee of Eighteen for the application of the measures taken with the task of making any suitable proposals to Governments in regard to extending the prohibition to other articles. Under "Proposal No. 5," providing for mutual support of members applying Sanctions Governments, guided by the annexed report of the Legal Sub-Committee, and aided by a special Committee appointed by the Co-ordination Committee,<sup>1</sup> agreed upon a number of measures including one couched in these very interesting terms:

Assistance generally in the organisation of the international marketing of goods with a view to offsetting any loss of Italian markets which the application of sanctions may have involved. They will also examine under the same conditions the possibility of financial or other measures to supplement the commercial measures in so far as these latter may not ensure sufficient international mutual support.

<sup>1</sup> The Committee of Eighteen for the Application of Sanctions, as stated above.

The Legal Sub-Committee's report, annexed to these proposals, considered the effect of the Clause in "Proposals 1-3" specifying that the embargo should apply to the products of contracts in course of execution. It declared that: if persons in participating States seeking an indemnity for loss suffered by them, brought a legal action against their own Government, the question would be settled by the internal public law of the States concerned; and if actions were brought by Italian subjects against participating Governments, in Italian courts or in courts of the countries concerned: a suit brought in the territory of a participating State must fail because prevention of the execution of the contract resulted from a prohibition lawfully imposed, and, if judgment were obtained for the plaintiff in his own country, it could not be executed there, even if claimed in virtue of treaties, for treaties could not override the effect of Article 16. Similarly, Italy could not complain of non-execution of a commercial treaty owing to the application of sanctions; but she would be liable internationally for refusing to carry out the provision of a commercial treaty or for annulling or suspending the execution of contracts given to her. The Committee declared, further, that treaties of friendship and non-aggression including undertakings not to interfere with trade or credit operations are over-ridden by Articles 16 and 20 of the Covenant when contracting parties are League Members.<sup>1</sup>

The Committee of Eighteen<sup>2</sup> and the Co-ordination Committee met again on 31st October and considered replies from Governments on the various proposals for sanctions. Arising out of these, certain questions were referred to Legal, Financial and Economic Sub-Committees. On 1st November, the Committee of Eighteen

<sup>1</sup> On this subject see also *Sanctions*, published by the Royal Institute of International Affairs; revised and enlarged edition, 29th October, 1935.

<sup>2</sup> Comprising Government representatives of South Africa, Argentine, Belgium, United Kingdom, Canada, France, Greece, Mexico, Netherlands, Poland, Portugal, Rumania, Spain, Sweden, Switzerland, Turkey, U.S.S.R. and Yugoslavia.

also appointed Sub-Committees on Clearing Arrangements and Debts Outstanding against Italy. The Committee of Eighteen decided, on the recommendation of its Clearing Sub-Committee, that, on a certain date, all purchases from Italy should cease whether or not countries had balances outstanding in their favour. It recommended to the Co-ordination Committee that "Proposals 2, 3 and 4" should come into force on 18th November. A Canadian Government proposal that the list of goods covered in the embargo provided in "Proposal No. 4" should include petroleum and its derivatives, coal, iron, cast-iron and steel, as soon as it seemed that the principle was accepted sufficiently widely to ensure an effective embargo (i.e. if the U.S. and Germany adopted a favourable attitude), was referred to the Economic Sub-Committee. On 2nd November, the Co-ordination Sub-Committee confirmed 18th November as the date of operation and asked Governments to report to Geneva the taking of the necessary legal measures. The Committee of Eighteen, on 2nd November, decided to leave certain matters relating to Clearing Agreements, the Canadian proposal, transit, contracts in course of execution and consignments of goods subject to embargo to States not participating in sanctions, to various Sub-Committees. Governments represented on the Co-ordination Committee were asked to state if they wanted representation on the Committee of Eighteen and on the Sub-Committee of the Organisation of Mutual Support during discussions of matters arising out of the application of "Proposal No. 5". On 4th November, the Economic Sub-Committee accepted, in principle, the Canadian proposal and referred certain matters to Sub-Committees on Clearing Arrangements, Contracts in Course of Execution and Transit.<sup>1</sup> On 6th November, the Committee of Eighteen adopted proposals

<sup>1</sup> In the Transit Sub-Committee Switzerland stated that the Swiss-German St Gothard Treaty prevented Switzerland from stopping railway transport of materials other than arms and ammunition between Germany and Italy. The Swiss interpretation of her neutrality previously had come in for criticism.



submitted by Sub-Committees approving: the Canadian Proposal for extending the embargo envisaged in Article 4 to petroleum and its derivatives, by-products and residues; pig-iron; iron and steel (including alloy steels), cast, forged, rolled, drawn, stamped or pressed; coal (including anthracite and lignite), coke and their agglomerates, as well as fuels derived therefrom—this Committee to propose to Governments a date for applying such measures if replies and information received by it warranted this course; a proposal for verification of the destination of prohibited goods and for action by Governments not restricting exports thereof at once to review their volume and direction and to stop any abnormal increase therein, and reports to this Committee on action taken in this connection; and a proposal that, from 18th November, Governments should stop acceptance of any new deposit of lire into the Italian Clearing account in payment for export to Italy, and suspend to the necessary extent the operation of any clearing or payments agreement made with Italy by or before that date. It decided also that the ban on Italian exports should not apply to books, newspapers and periodicals, maps and cartographic productions, or printed or engraved music. Governments of the U.S.S.R., Spain, Poland, Yugoslavia, Rumania, Greece, Sweden, Turkey, Switzerland, France and the U.K. were asked to nominate experts to form a Sub-Committee on the Application of Sanctions, which would meet after 18th November, and sit permanently for a time. It empowered its President to convene it again when he thought it desirable. It stated that the German Government proposed to issue a decree to render impossible speculation by purchasing goods in Germany for re-sale to belligerents at a large profit.

Egypt informed the Co-ordination Committee of her intention to apply "Proposals Nos. 1-5". Previously Albania, Austria and Hungary had abstained from the working of the various Committees.

The Committee of Experts on measures taken in

application of sanctions appointed Sub-Committees, on financial and economic measures and other matters<sup>1</sup>: it reported to the Committee of Eighteen and the Co-ordination Committee. On 22nd January, 1936, the Committee of Eighteen decided to appoint a Committee of Experts to conduct a technical examination of the conditions governing the trade in and transport of petroleum and its derivatives, by-products and residues, and report on the effectiveness of the extension of the embargo on these commodities. It met on 3rd February, 1936, and appointed Sub-Committees on the general problem of consumption and supplies, the possible use of some substitutes, and the question of transport.<sup>2</sup> Its report was issued on 12th February, 1936. On 2nd March, 1936, the Committee of Eighteen, having received the report of this Committee, decided to attempt again a peaceful settlement of the dispute before deciding on the embargo on the export of petrol. Meanwhile, on 4th March, it asked the two Committees of Experts for a further technical examination of certain points, chiefly the method of applying the embargo on petrol, in case an affirmative decision was taken.<sup>3</sup>

Thus, in a limited area, these Committees have provided for a measure of world economic organisation.

#### CLOSER CO-OPERATION OF THE PAN-AMERICAN UNION IN THE ECONOMIC WORK OF THE LEAGUE

Closer co-operation between Pan-American and League economic efforts has been attempted. At the Fifteenth Assembly Colombia asked for the consideration of the establishment of regular relations between the League and the Pan-American Union. At the request of the Secretary-General of the Seventh Session of the Pan-

<sup>1</sup> Chiefly, it examined Governments' replies on the Co-ordination Committee's proposals, took measures for the collection and publication of statistical and other information concerning trade with Italy and defined circumstances in which goods might be exempted.

<sup>2</sup> Their reports were published on 13th November, 1936.

<sup>3</sup> Sanctions on coal, cotton, rubber, iron and steel, also mentioned in "Proposal No. 4a", were not mentioned.

American Conference, held at Montevideo, in December, 1933, the Secretary-General of the League prepared a Memorandum on the League's work in relation to the Agenda of that Conference. This innovation offered a useful opportunity for an exchange of views and information on the numerous economic and financial questions, with a view to facilitating closer economic co-operation. The Seventh Pan-American Conference recommended the Eighth Conference to study means of co-operation with Pan-American organisations and Conferences and other international bodies and other Continents; and drew up a programme for co-ordinating the work of the Union with that of other international bodies. The next (Lima) Conference of the Union will study the form of co-operation between the Union and the League. In accordance with a Colombian delegation proposal to the Fifteenth Session of the Assembly, in 1934, and the latter's decision, the question of the relations between the League and the Union came before the 1935 Session of the Assembly. The Colombian proposal aimed at instituting a study of the best ways of establishing regular relations and co-operation between the League and the Union. The 1935 Assembly decided to await the outcome of the study recommended by the Seventh Pan-American Conference on the relations between the Pan-American body and other organisations, as a preliminary to examining the Colombian proposals; and, in the meantime, on the recommendation of its First Committee, urged the Secretary-General to maintain such relations with the Secretary-General of the Pan-American Union as may prove desirable.

The Conference, held at Santiago de Chile, 2nd-14th January, 1936, in connection with the work of the I.L.O., was another important landmark. Such a Conference may be held periodically.<sup>1</sup> This Conference called for I.L.O. action regarding, *inter alia*: the pro-

<sup>1</sup> A Uruguayan Government proposal for a Pan-American Labour Office was withdrawn for fear of aloofness from Geneva being implied.

motion of measures to stimulate the proper development of production and better organisation of the economic system; public works; colonisation; improvement in means of communication between South American countries; nutrition; and proper allocation of foodstuffs. Especially it asked the Governing Body to urge the competent international bodies to prevent the economic policy of States from destroying the beneficial effects of protective Labour legislation; and to consider the bearing of private monopolies over sources of power, raw materials and industries of vital importance on social interests.

#### CO-OPERATION OF NON-MEMBERS IN THE ECONOMIC WORK OF THE LEAGUE

Although as yet the economic work of the League, like the rest of its work, suffers from the absence of the official collaboration of certain States, notably the U.S., it is significant that the pressure of events has tended to develop contacts with these countries.

Before Russia joined the League she participated in the 1927 and 1933 Economic Conferences, and the International Labour Office had many valuable contacts with Russian services for scientific work. The U.S. has collaborated in a great many economic matters, including the 1927 and 1933 World Economic Conferences, the technical collaboration with China in regard to public works and the attempts to promote international control of commodities such as wheat and sugar. Also the U.S. has supplied members of the Health, Financial, Economic and Fiscal Committees. Incidentally it has furnished the Chairman of the B.I.S., of which it is a member, and the High Commissioner for Refugees from Germany.

Various States non-Members of the League have joined the International Labour Organisation from time to time; the U.S. at present is a member. Moreover, Japan stayed in the I.L.O. after leaving the League.

### THE VALUE OF U.S.S.R. PARTICIPATION IN LEAGUE ECONOMIC ACTIVITY

The future of the League's economic work was strengthened by the entry into the League, in 1934, of the U.S.S.R. Addressing the Assembly on 18th September, 1934, Mr. Litvinoff said

... The Soviet Union is entering into the League as representative of a new social economic system. . . . The co-operation of the Soviet Union with other States within the framework of the League of Nations has also shown itself to be both desirable and possible in the sphere of economics. Soviet delegations have taken part in the Committee of Inquiry for European Union, which occupied itself chiefly with economic questions; in both Economic Conferences and in other Conferences of a lesser range. . . .

### THE ECONOMIC ACTIVITY OF THE INTERNATIONAL LABOUR ORGANISATION<sup>1</sup>

The work of the International Labour Organisation must be included in any exact description of the economic work of the League; for, although an autonomous body, the I.L.O. is a vital part of the League. Founded at a time when the old order appeared to be breaking down and when statesmen might well have thought it wise to make some concession to organised labour, and partly as a result of demands made by international labour conferences, the International Labour Organisation found its sanction in Part XIII of the Treaty of Peace, which says that inasmuch as there exist conditions of labour implying for a great number of people injustice, misery and privations which engender such discontent that universal peace and harmony are in danger, it is urgently necessary to ameliorate these conditions. It has two functions: (1) to protect the workers by achieving international agreements to accept minimum conditions in social legislation while independent national

<sup>1</sup> See, *inter alia*, *The International Labour Organisation. The First Decade, 1931.*

economies persist; and (2) to help to lead the world out of economic anarchy and develop international economic organisation as a means of providing the surest foundation of social progress.

At present its work is more or less limited to the performance of the former function; but in the research work of the International Labour Office, in the contacts which it makes, in the Director's Annual Report—which is a veritable mine of information and a fount of inspiration on world economic affairs—in the economic data in its *Year Book*, in its weekly organ (*Industrial and Labour Information*), and by its special inquiries into the economic aspects of native labour problems, the textile and coal industries, industrial relations, rationalisation, co-operation, shipping, agriculture, the reduction of hours of work, public works and world planning, it is preparing the ground for the world economic organisation of the future, in which it must play a very important rôle. Moreover, it has initiated important League economic activities, for example, on raw materials, public works and the 1927 and 1933 World Economic Conferences.

It is carrying out, to an extent that the League is not, the duty of the League to tackle the great question of poverty; and though, naturally, it is to the League as a whole and to its Economic Organisation, in particular, that one looks usually for the evolution of the new international economic machinery, it is impossible to escape the conclusion that, both by the work which it is doing and by the nature of its organisation, the International Labour Organisation is the embryo of that future world economic organisation. All along it has been inspired by the conviction: that the international division of labour, the basic fact of our economic world, implies collective world economic organisation; and that the workers must play an important part in the evolution and control of this new organisation. In the nature of the composition of its Governing Body and of its annual Conference, in associating intimately

with the government of its Organisation the organised forces of production, which must play a vital part in world economic organisation, it looks away from the past to the future. The International Labour Office is the nucleus of that new organisation which must be at the root of all that international action and machinery that have to be built up. Moreover, in sharp contrast to the League's addiction to laissez-faire in international economic matters, the I.L.O. has stood firmly, thanks largely to Albert Thomas' vision, for the control of economic forces and for the control and subordination of national and private economic interests to the necessities of international Labour standards and broad social and public interests.

Critics of the I.L.O. who feared that, as the most virile part of the League, under Albert Thomas, it might develop and force the League to act on economic questions, have endeavoured at various times to limit its work. Thus in 1922 its competence in handling proposals for organising and developing the means of agricultural production was challenged and the Permanent Court of International Justice was asked by the League Council for an opinion. While the I.L.O. disclaimed any competence in questions of agricultural production and said that it was concerned with the methods and means of production only in so far as they affected Labour problems, the Court held<sup>1</sup> that the Organisation

cannot be excluded from dealing with the matters specifically committed to it by the Treaty on the ground that these may involve in some aspects a consideration of the means or methods of production or of the effects which the proposed measures would have upon production.<sup>2</sup>

<sup>1</sup> It gave its opinion on 12th August, 1922. The French Government had asked the League Council whether "the examination of proposals for the organisation and development of methods of agricultural production, and of other questions of a like character" fall within the competence of the International Labour Organisation (*Monthly Summary of the League of Nations*, Vol II, No 7, July, 1922, p. 140).

<sup>2</sup> See also *The International Labour Organisation. The First Decade*, 1931, p. 98.

At the same time the Court denied the Organisation competence regarding the consideration of the means of production in itself or the method of organising and developing production from the economic point of view.<sup>1</sup> It is true that the Organisation constantly has been held in check. It has been realised that attempts to improve production and marketing would enable the workers to demand a higher standard of living. One special illustration indicates the strength of the forces seeking to restrain the I.L.O. In 1920 the Employers' Group persuaded the Governing Body to ask the Office to make an inquiry into industrial production throughout the world, considered in relation to working conditions and cost of living; but, at the request of the Workers' Group, this was expanded to take account of all factors likely to affect production. This inquiry took four years; and provided five volumes, published in eight parts, giving detailed information about production in general, the shortage of raw materials, plant, transport, capital, markets, currency and exchange, and other elements important to production. It also summarised the steps taken or advocated to deal with the various slumps in production. This was a monumental work; and during the 1927 World Economic Conference many delegates acknowledged their indebtedness to it. Unfortunately the best use was not made of it. It was never translated into English—it is understood that this was on account of employers' opposition. It shows, however, that the I.L.O. already had determined to make a comprehensive study of all economic factors affecting labour conditions and to show the intimate connection between economic and social questions. Let

<sup>1</sup> It answered the question put to it by the Council, at the request of the French Government, thus "It follows from what has been said that the Court understands the question to be whether the consideration of the means of production in itself, and particularly from the specific points in respect of which powers are conferred upon the International Labour Organisation by the Treaty, falls within the competence of the Organisation. This question, for the reasons above stated, the Court answers in the negative" (Publications of the Permanent Court of International Justice, Series B, Nos. 2 and 3, 12th August, 1922, Collections of Advisory Opinions, p. 59).



us follow in some detail its participation in economic affairs.

Following on the 1921 demand for an inquiry into the national and international aspects of unemployment and the means for fighting it, the International Labour Conference invited the International Labour Office to secure the co-operation of the Economic and Financial Organisation of the League to try and find a solution of questions entering its competence which might be raised by such an inquiry. This co-operation was secured by the appointment of a permanent Sub-Committee responsible to the Economic Committee. Closer co-operation being felt to be necessary, a Joint Committee on Economic Crises was created comprising the above Sub-Committee, four experts nominated by the I.L.O. and three members of the Finance Committee. The International Labour Office has submitted many memoranda to this Committee, emphasising, in particular, the monetary and financial aspects of unemployment and the value of an international study of public works. It is closely bound up with the League's economic work. It collaborates with the Economic Committee, on which it is represented in an advisory capacity, and with the Communications and Transit Organisation.<sup>1</sup> The I.L.O. participated actively in the Genoa Conference in 1922, called to study the renewal of relations with the Soviet Union. In 1920, at the First Session of the International Labour Conference to be held in Geneva, workers' delegates urged the connection between unemployment and general economic problems; and asked the Office to make an international inquiry into unemployment, including the economic and financial aspects thereof, and recommended that an international Conference be called to study international remedies calculated to cure it. This led to the Genoa Conference (dealing, *inter alia*, with monetary policy) and,

<sup>1</sup> The I.L.O. also is represented on the Mixed Committee on Inland Navigation. Its Governing Body is represented on the Unemployment Committee of the Commission of Inquiry for European Union.

ultimately, to the 1927 World Economic Conference. It was a Workers' member of the Governing Body, as a French Government delegate, who first urged the Assembly, in 1924, to establish economic peace. In 1925, another French delegate followed up this initiative and persuaded the League to call an international Economic Conference at which the I.L.O. was well represented. Clearly it had won the point that Labour must be represented at any World Economic Conference. The Office closely collaborated with the Secretariat in preparing the documentation for the 1927 Conference, with special reference to scientific management and the part played by co-operative organisations in international trade. This Conference achieved little, but it stressed the importance of two questions of special interest to the I.L.O., international industrial agreements and rationalisation, on which the I.L.O. submitted memoranda. The Conference did not recommend supervision of international industrial agreements, but it thought that the League should follow closely these forms of international industrial co-operation and their effects on technical progress, the development of production and labour conditions. The I.L.O. was represented, though not officially, in the Economic Consultative Committee which was formed as a result of this Conference; and the Office has collaborated with the Secretariat in preparing material for it.<sup>1</sup>

The rationalisation movement has been studied closely. The I.L.O. played an important part in forming the Scientific Management Institute<sup>2</sup> at Geneva, to study the technical and economic aspects of rationalisation. The I.L.O. was represented on the Board of this independent body. The Office published a valuable report, the fruit of several years' research, on *The Social*

<sup>1</sup> The Workers' Members of this Committee are appointed by the Council on the proposal of the Workers' Group of the Governing Body. The latter's Chairman attends the Committee's meetings, and the Director attends meetings of its Executive Committee

<sup>2</sup> This came to an end recently; but, at its Seventy-third Session, the I.L.O. Governing Body decided to appoint an Advisory Committee on Management.

*Aspects of Rationalisation.* The I.L.O. has studied intensively coal and textile questions, with special reference to the reduction of hours of work; and the economic aspects of the coal problem have been in the forefront of its considerations. In its studies on unemployment the Office has published reports, especially in 1929, stressing the significance of monetary fluctuations; and it always has urged that the best method of attacking the problem was by the adoption of a collective economic policy.

The Agricultural Service of the Office has undertaken economic studies, covering co-operative and credit problems, agrarian reform and rationalisation in agriculture. The I.L.O. set up a Mixed Advisory Agricultural Committee with the International Institute of Agriculture, and, in 1933, a Committee on Agricultural Work. The Nineteenth Session of the International Labour Conference, in 1935, passed a resolution calling for the creation of a permanent Agricultural Committee attached to the Office. It asked the Governing Body to set up such a Committee, including in equitable proportions representatives of the three groups of the Governing Body, the International Institute of Agriculture, competent international bodies and representatives of all classes engaged in agriculture. In its work of protection of native and colonial labour the Office inevitably must consider economic aspects of these problems. Economic factors play an important part, for example, in land and mining questions. An I.L.O. expert sits on the Permanent Mandates Commission. From its inception the I.L.O. has devoted considerable attention to co-operative problems and has kept in touch with the co-operative movement, which is closely bound up with a wide variety of economic activity. Its Co-operative Service has studied the various forms of co-operation, industrial and agricultural, national and international, dealing, for example, with co-operation in regard to the working up of raw materials and their sale, services such as motive power and irrigation and

credit insurance, workers' produce societies, co-operative banks, co-operative fisheries, co-operative societies of local rural industries, distributive and housing societies, rationalisation of methods of distribution in agriculture, direct trading relations between agricultural and consumers' co-operatives and between national co-operative bodies. The Office supplied the 1927 World Economic Conference with a Memorandum on the part played by co-operative organisations in international trade in wheat, dairy produce and several other agricultural products.

The I.L.O. Statistical Section has built up a valuable basis of international statistical inquiry, which has facilitated studies in the coal and textile industries, for example. It also has a Social Economics Service (the existence of which has been the centre of the hot attack to which earlier reference has been made). These two branches of the Office have studied the "economy of high wages" and many other economic aspects of social problems, providing invaluable material for international economic studies.

Important work has been done in the sphere of industrial relations. The I.L.O. has followed the progress of the Works Councils' Movement and has published studies on it, especially on the German Works' Councils some years ago. More recently studies have been published on industrial relations in the Canadian National and British Railways, the London Transport System, various U.S. and British undertakings, the State mines in the Saar and the Bata shoe factory (Czechoslovakia). Finally, it has studied the National Economic Council movement in the various countries. From within its ranks have come powerful demands for the creation of a World Economic Council. On all these economic questions regular and unique information is made available in its publications.<sup>1</sup> Every year in his Annual Report the Director of the I.L.O., in particular,

<sup>1</sup> *Industrial and Labour Information* (weekly), *International Labour Review* (monthly), the *Annual Reports of the Director* of the Office and the *Year Book*.

has analysed the world's economic situation and has suggested courses of action likely to yield improvement. In recent years emphasis has been laid on the need for world economic planning and the different forms and aspects thereof.

In the last four or five years the I.L.O. has laid special stress on the importance of national and international public works and has demanded urgent international action to combat the world economic depression. It has followed very closely President Roosevelt's economic programme. In 1932, the Conference adopted an important resolution drawing the attention of the League Council and of all Members of the I.L.O. and of the League to the necessity of ensuring economic equilibrium (instead of the existing economic chaos) to permit social justice to be established, and of endeavouring to restore prosperity by appropriate discussions. It suggested that: Governments should draw up a list of big international works for economic equipment and for large-scale national works; that the League and the I.L.O. should be invited to the Lausanne Conference; that States should settle currency and credit problems and lay the foundations of an international monetary system; that Governments should examine problems of production and trade in collaboration with representatives of employers' and workers' organisations, in order to conclude international Conventions on the basis of broad concerted plans for the resumption of economic activity providing for the gradual and systematic increase in mass consumption and for the co-ordinated extension of international trade; and that public health works should be promoted especially. On 19th May, 1932, the Council referred the resolution to the Assembly and asked the Committee of Inquiry on Public Works to accelerate its proceedings. Also it submitted to the Assembly the question of summoning a World Conference on problems of production and international trade, as requested. The Rapporteur (Spanish Government delegate), in submitting this Resolution to the

Council, said that in view of the hesitation of Governments it could be understood why the Labour Conference, at which the anxieties of the world of production and labour find expression, sought to induce Governments to call a new international Economic Conference, composed, not like that of 1927, of experts, but of Government representatives able to take effective decisions. This Resolution stimulated the calling of the Monetary and Economic Conference. The Lausanne Conference gave it practical shape. The Council agreed to call such a Conference and the Office was asked to put its technical organisations' services at the disposal of the Commission of Experts preparing the Conference. Three I.L.O. Governing Body members were invited to take part in the work of this Commission. The question of public works was put on the Conference's Agenda. At the 1933 International Labour Conference, a Resolution was adopted and put forward at the Monetary and Economic Conference by I.L.O. speakers, urging: the restoration of suitable monetary conditions; international co-operation to prevent price fluctuations; cessation of economic warfare; increased purchasing power and an adequate standard of living; and the restoration of the circulation of capital lying idle by the adoption of a public works' policy.

The 1934 International Labour Conference adopted a workers' resolution recalling: that at the Washington Conference a Recommendation was adopted inviting States-Members of the I.L.O. to co-ordinate the execution of all work undertaken under public authority and to reserve such work as far as possible for periods of unemployment; the Resolution of the 1926 Conference urging the Office to redouble its efforts to promote public works; and the 1933 efforts of the Conference in drawing the attention of the Monetary and Economic Conference to the question, and in asking the Governing Body to consider putting on the Agenda of an early Session of the Conference the question of organising and co-ordinating national and international public

works; and asking the Governing Body to call for regular reports from the Office on public works' measures taken, or proposed, and to co-operate with the competent League bodies to facilitate co-operation between countries in regard to international public works. In 1935, the Office published a volume on *Public Works Policy*, outlining attempts made by the League and the I.L.O. to stimulate and co-ordinate public works as a means of fighting the depression and discussing the financial and international problems involved, and examining the problems of national and international co-ordination of public works' schemes. The 1935 Conference passed a resolution urging the Governing Body to instruct the Office to continue the study of the problem of nutrition, in collaboration with the League Health and Economic Organisations, the International Institute of Agriculture and other suitable bodies, and to report to the 1936 Conference. The Governing Body set up a Temporary Committee of Experts, which planned a report to the 1936 Conference. The 1935 Assembly later asked the Council to arrange for the I.L.O. to collaborate in its Mixed Committee for the study of various aspects of the problem of nutrition.

In February, 1936, the Governing Body adopted a U.S. Government resolution calling for an I.L.O. inquiry into the effect that countries' commercial policy might have on the employment and wages of workers.

#### INTERNATIONAL COMMITTEE ON INTER-CO-OPERATIVE RELATIONS

The Co-operative Movement has been associated closely with the League and the I.L.O., especially through a special Joint Committee. This was formed in 1930, in response to the desire of the 1927 World Economic Conference,

that the convergent efforts of agricultural and consumers' Co-operative Organisations would be encouraged and furthered by the creation of a Committee representing national and inter-

national co-operative organisations of agriculturists and consumers.

It began its work in February, 1931. It comprises an equal number of representatives of the International Co-operative Alliance and of the International Commission of Agriculture. It seeks to promote the development of moral and economic relationships between agricultural co-operative societies and distributive co-operative societies and to act as a liaison body between the co-operative movement as a whole and international institutions, in particular the League Economic Organisation, the International Institute of Agriculture and the I.L.O. It decided to invite to its meetings a representative of these institutions, and of the International Co-operative Wholesale Society and of a similar international agricultural co-operative organisation. In February, 1931, the Economic Committee decided to send a representative to the next session of this Committee, welcoming its constitution as carrying out the wish of the 1927 Conference. At its meeting in October, 1935, the Committee continued its study of the part played by agricultural and consumers' co-operative organisations, or the part which they might be called upon to play in conjunction with various forms of public intervention in the economic field, and, in particular, the regulation of grain marketing in Hungary, Rumania and Czechoslovakia. It also studied the rôle of the co-operative movement in a régime of economic planning. At its Session on 30th March, 1936, it noted a report on *Collaboration of Public Authorities and Co-operative Societies in the Organisation of the Grain and Fodder Market in Austria*; one of a series of similar studies covering France, Great Britain and Switzerland, in addition to the above countries.

#### THE NEW WORLD ECONOMIC CONFERENCE

The plan drawn up by the Locarno Powers, arising out of Herr Hitler's proposals, on 20th March, 1936,



suggested to the German Government that the Council should be asked to invite all nations to an international Conference, at which would be considered, *inter alia*, "international arrangements having as their object the extension of economic relations and the organisation of commerce between the nations".<sup>1</sup> In its reply the German Government agreed to enter into an exchange of views on economic problems, with a view to improving the European and the world economic situation.<sup>2</sup> France then put forward concrete proposals for international economic action. The calling of a World Economic Conference, with such a wide Mandate, was always implied in Sir Samuel Hoare's declaration at Geneva; for, "it needs little reflection to see that such a discussion must lead at once to questions of currency and exchange, and of the character of international trade . . . The authority of the League will depend upon its inclusiveness."<sup>3</sup>

This Conference, long overdue, will have a glorious opportunity of undoing the economic injustices and follies of the Versailles and similar Treaties and of ensuring that the foundations of a durable peace are built solidly upon the organisation of international economic life in accordance with the principles of justice.

<sup>1</sup> Cmd 5134 and *The Times*, 21.3.36. A powerful plea that this projected Conference should take into consideration the economic causes of the restlessness and discontent of many nations was contained in a letter to the British Prime Minister, from the Archbishop of Canterbury, signed by leading representatives of Christian communities in England, Wales and Scotland. See *The Times*, 24.3.36.

<sup>2</sup> See *The Times*, 2.4.36, for the text of the German Note, presented in London on 1st April, 1936.

<sup>3</sup> *The Times*, leading article, 25.2.36.

## CHAPTER III

### TOWARDS INTERNATIONAL COLLECTIVE ECONOMY IN REGARD TO CERTAIN BASIC COMMODITIES AND SERVICES

#### (a) FOODSTUFFS, RAW MATERIALS, MINERALS AND METALS<sup>1</sup>

THE problem of supplying the world with foodstuffs, raw materials, minerals and metals is one of the most fundamental economic problems. Moreover, at the present moment, it is in the forefront of our considera-

<sup>1</sup> Among the most valuable sources of information on this subject may be cited. *American Economic Review Supplement*, September, 1931, pp. 481-7: "International Control of Raw Sugar Supplies", American Institute of Mining and Metallurgical Engineers and Mining and Metallurgical Society of America: *International Control of Minerals*, N.Y., 1925; *American Labour Legislation Review*, December, 1931, pp. 383-5: "The International Stabilisation of the Sugar Industry"; *Annals* (of American Academy of Political and Social Science), 1924, Vol. CXII, pp. 1-145. "Raw Materials and Foodstuffs in the Commercial Policies of Nations", by W. S. Culbertson; 1924, March, No. 201, pp. 162-71, "The Struggle for Petroleum"; and 1931, May, "Organised Commodity Markets and Exchanges"; *Army Ordnance*, January-February, 1930: "Control of Strategic Raw Materials", by E. N. Hurley; *British Official Report on Raw Materials* (giving an account of the operations of the Raw Materials Department of the War Office), Cmd. 788, 1920; B.Q., 18th January, 1931, 0.1-0.12 "Ententes Internationales entre les producteurs des matières premières", Carnegie Endowment for International Peace, Pamphlet No. 266, January, 1931, reproducing Sir T. H. Holland's Presidential Address to the British Association in 1929, and his Trueman Wood Lecture to the Royal Society of Arts, 29th January, 1930 (see the *Journal of the Royal Society of Arts*, Vol. LXXVIII, 14 2 30), "International Movement of Mineral Products in Peace and War"; Donaldson, J.: *International Economic Relations*, N.Y., 1928; *Economic History* (Supplement to the *Economic Journal*), January, 1930, Vol. II, No. 5. "A Treatment of Greek Government Action in regard to Currants"; *Economic Journal*, September, 1930 "Artificial Control of Raw Materials Supplies", by J. W. F. Rowe, *Foreign Affairs*, Vol. 3, 1925, pp. 541-55, "Political Control of Mineral Resources", Foster Bain, H.: *Ores and Industry in the Far East*, N.Y., 1927; Holland, Sir T. H.: *The Mineral Sanction*, London, 1935; and *Minerals and International Relations*, Holland, W. L.

tions because of recent political developments.<sup>1</sup> In the previous chapter it has been shown that, since the war, at various times, there has been a vigorous demand for public international control of raw materials, and that, in respect of certain commodities, a measure of international control, largely private, but occasionally Governmental, has been attempted. A movement away from laissez-faire and towards ordered control is seen in studying the world's recent experience regarding the supply of certain of these essential commodities and services.

There has been a good deal of discussion about the possibility of a direct internationalisation of minerals. This has come up

(edited by): *Commodity Control in the Pacific Area*, London, 1935; Killough, H. B. and L. W.: *Raw Materials of Industrialism*, 1929; League of Nations: Economic and Financial Section, prepared for the Economic Committee, 1930: *Review of the Economic aspects of Several International Industrial Agreements*; Geneva, 1931; International Labour Office: *Industrial and Labour Information* (weekly), Monetary and Economic Conference *The Monetary and Economic Conference*, London, 1933; *Monthly Summary*, Leith, C. K.: *World Minerals and World Politics*, N.Y., 1931; London and Cambridge Economic Service, Special Memo. No 31, September, 1930. *Studies in the Artificial Control of Raw Material Supplies*. Sugar, Michels, G de: *World Reorganisation on Corporative Lines*, London, 1935; *Mining and Metallurgy*, October, 1929, pp. 463-7 "Canada's Minerals and their International Implications"; Minost, E.: *Les Coopérations Interétatiques*, Paris, 1929; Read, T. T.: *Elements of a National Mineral Policy*, N.Y., 1933, one of a group of papers issued in July, 1933, by a Conference of specialists held in 1933; *Report of a Committee of Mineral Specialists*, to the Institutes of Mining and Metallurgical Engineers, in N.Y., in 1925, regarding the mineral policy of the U.S.: *International Control of Minerals*; *Report of the Dominions Royal Commission, on the Natural Resources, Trade and Legislation of Certain Parts of His Majesty's Dominions*, Cmd 8462; Requa, M. L.: *The Relation of Government to Industry*, N.Y., 1925, Royal Economic Society, Memo. 29, *Studies in the Artificial Control of Raw Material Supplies*, No. 2, *Rubber*; Memo No 34, 1932, *Studies in the . . .*, No. 3, *Brazilian Coffee*, Stocking, G. W.: *The Potash Industry*, N.Y., 1931; The Rubber Conference, Brussels, 1924; *Times*, *The (Files)*; 6.6 33: "The Wheat Glut, A Case for World Co-operation", by Sir Wm. Haldane and R. J. Thompson; *Times Trade and Engineering Supplement*, 23 5.31, U.S. Bureau of Mines: A series of Information Circulars summarising mining legislation in all countries: Voskuil, W. M.: *Minerals in Modern Industry*, N.Y., 1930, Wallace, B. B., and Edminster, L. R.: *International Control of Raw Materials*, Washington, 1930; Whittlesey, C. R.: *Government Control of Crude Rubber: The Stevenson Plan*, Princeton, 1931; Wibaut, F. M.: *A World Production Order*, London, 1935.

<sup>1</sup> On 23rd March, 1936, Signor Mussolini insisted that Italy lacked certain raw materials: "This is a fundamental reason for her colonial demands."

in the League of Nations and in the International Chamber of Commerce. . . . It seems that there is a promise of further development in the way of international control.<sup>1</sup>

The internationalisation of coal has come strongly before the League. The general problem has been pushed to the fore as the Italo-Abyssinian crisis became more acute. It is essentially an international one and calls urgently for a development of collective action.

### (1) *Limited Sources of Supply*

First let us see where monopolies or major controls of supplies reside. The bulk of supplies of many minerals is confined to a few countries; in some cases to only one country. Thirty of the chief mineral districts account for over 75 per cent of world mineral production.<sup>2</sup> Three-quarters of the world's supply of iron ores comes from the U.S., France, Luxemburg, England, Sweden and Spain. Ninety per cent of the world's steel-making capacity is in the U.S., England and the Ruhr and North-East France area. Two-thirds of the world's supply of bituminous coal comes from the U.S., Great Britain and Germany: the U.S. has about 50 per cent of the world's estimated reserves. In 1930, 95 per cent of the world's anthracite output came from the U.S. (Eastern Pennsylvania); the U.S. supplied 69 per cent of the world's petroleum;<sup>3</sup> 85 per cent of the world's oil-refining capacity was concentrated in the U.S.; and the U.S. produced about 55 per cent of the world's copper (Chile and the Belgian Congo being other important copper producers). Manganese ore comes chiefly from India, Georgia, Gold Coast and

<sup>1</sup> *Annals*, July, 1930 "The International Aspect of the Mineral Industry", by C K Leith, Chairman, Dept. of Geology, University of Wisconsin.

<sup>2</sup> Leith, *op. cit.*, p. 11

<sup>3</sup> Most of the world's crude petroleum production comes from the U.S., Russia, Rumania, Netherlands East Indies, Mexico, Iran and Venezuela. In 1923 reserves (as distinct from production) were estimated thus: U.S., 14 per cent, Mexico, 6.4 per cent; South America, 18 per cent; British Empire, 8.4 per cent; Iran and Iraq, 8 per cent, Netherlands East Indies, 5 per cent, Russia, 8 per cent, China and Japan, 6 per cent. See Donaldson, *op. cit.*, p. 526.

Brazil; chromite from Rhodesia, India and New Caledonia; nickel from Canada; and tungsten (50 per cent) from China. Half the world's vanadium comes from Peru. Eighty-five per cent of world tin output comes from Malay States, Bolivia, and Netherlands East Indies. Over 50 per cent of the world's gold comes from South Africa and over two-thirds from the British Commonwealth. Two-thirds of the world's silver production comes from Mexico (chiefly) and the U.S. Forty per cent of world lead comes from the U.S. and 30 per cent from Mexico, Australia and Spain. In 1928, 70 per cent of world zinc came from three areas (40 per cent from U.S.). Germany and France practically monopolise potash and Chile natural nitrates. Texas monopolises sulphur production. Italy, Spain and the U.S. yield the bulk of the world's quicksilver supply. Most tungsten (wolfram, the chief ore therefor) comes from the province of Hunan, China. The U.S., Norway and Mexico produce the bulk of the world's molybdenum. South Central China supplies well over half of the world's antimony output.

Here are some indications of the restriction of sources of the supply of raw material to certain areas.<sup>1</sup> About 90 per cent of the world's supply of cotton is grown in the United States, India, China and Egypt (U.S., one-half to two-thirds, India, 15-20 per cent, China about 10 per cent and Egypt about 5-10 per cent of the world's raw cotton supply). About two-thirds of the world's rubber plantation lands are in the British Commonwealth and over half the plantations are owned by British citizens. Most of the land which had been planted with rubber up to 1924 was under the political control of either Great Britain or the Netherlands, whose citizens owned nearly 75 per cent of the plantations. About 90 per cent of raw rubber supplies comes from plantations situated in territory controlled by Great Britain and the Netherlands. The chief silk producing

<sup>1</sup> See, especially, Killough, *op cit* See also Lord Arnold's speech in the House of Lords, 25th March, 1936

countries are China, India and Japan in the Far East, Italy, France and Spain in Western Europe and the Levant: over three-quarters of the total are produced by Japan and China. Cuba, India and Java produce nearly 60 per cent of the world's cane sugar output. Most of the world's beet sugar is produced in Europe and nearly all the remainder is grown in the United States. The chief wheat-exporting countries are Argentina, Australia, Canada, Russia and the United States. Seventy-five per cent of the fibre for making the world's supply of binder twine comes from Yucatan (Mexico).

Many raw materials required by Great Britain come from outlying parts of the British Commonwealth in which are produced amounts ranging from one-tenth to three-quarters of the world's annual output of coal, cotton, iron, lead, nickel, manganese, asbestos, wheat, rubber, wool, gold, silver, tin and tungsten.<sup>1</sup> It was not generally realised before the Great War that the British Commonwealth had substantially a monopoly of the world's production or distribution of certain very valuable commercial commodities. Canada produces most of the world's nickel, cobalt and asbestos, and, in conjunction with India, mica. New Zealand produces almost the only supply of Kauri gum and phorium fibre. South Africa has practically a monopoly of diamonds and ostrich feathers. India has virtually a monopoly of jute, while the West African colonies supply most of the world's output of palm-nuts and palm kernels; and the Eastern colonies most plantation rubber. The British Commonwealth produces about 40-45 per cent of the world's wool supply; and the proportion is much greater if merino wool only is considered. The Commonwealth also produces 60 per cent of the world's gold output.<sup>2, 3</sup>

<sup>1</sup> Killough, *op. cit.*; Leith, *op. cit.*

<sup>2</sup> See, *inter alia*, the *Report of the Dominions Royal Commission on the Natural Resources, Trade and Legislation of certain parts of His Majesty's Dominions*, London, Cmd. 8462.

<sup>3</sup> Mr. Leith states that the British Commonwealth produces three-quarters of the world's output of gold and diamonds. Forty per cent of the world's

Then take the United States. According to the *Economic and Financial Review*, issued by Harvey Fisk & Sons,<sup>1</sup> in 1927 America was estimated to be producing the following percentages of the world's output of these essential commodities: iron ore, 55 per cent; pig-iron, 55 per cent; steel, 66 per cent; copper, 51 per cent; petroleum, 62 per cent; coal, 43 per cent; timber, 52 per cent; phosphate, 42 per cent; sulphur, 90 per cent; mica, 63 per cent; lead, 62 per cent; zinc, 64 per cent; talc and soapstone, 60 per cent; barytes, 45 per cent; cotton, 55 per cent.

The British Commonwealth and the U.S. together possess about two-thirds and control three-quarters of the world's reserves of economic minerals.<sup>2</sup>

## (2) *The Nature of the Problem and Its Solution*

Two main aspects of this problem must be considered. There is this question of the monopoly of certain raw materials by a small number of countries and the necessity of providing an adequate access to supplies of such materials for all countries. Then it is essential to prevent disequilibrium between production and consumption and to provide regular and ample markets for producing countries at prices which are fair to producers. In both cases the need for action is

tin is produced within the Commonwealth (mostly in Malaya). Canada has monopolised the asbestos market in the past (though South Africa now is entering it for higher-grade asbestos). Southern Rhodesia (followed by South Africa) produces the bulk of the world's chrome-ore. Sir Drummond Drummond Fraser, as Vice-President of the Institute of Bankers, discussing, in the *Star*, 3 5 27, on the eve of the International Economic Conference, the question of the control of raw materials said "Lurking behind this somewhat innocuous title lies a matter of first-class international significance, and one the magnitude of which it is not difficult to realise when we look at the list of potential 'monopolists'. . . Now let us turn to the British Commonwealth. Australia and New Zealand produce more than half the world's requirements of wool; South Africa more than half its gold; India and Ceylon practically three-quarters of its tea, British India nearly all its jute and a large percentage of its rice; Malaya a preponderance of its rubber. In Europe other examples can be found. Germany, for instance, produces the bulk of the world's potash, and Russia grows more than half the world's flax."

<sup>1</sup> Quoted by Sir D. D. Fraser, *op. cit.*

<sup>2</sup> Leith, *op. cit.* The control is exercised by U.S. and British capital.

urgent; and the only permanent solution is along the lines of international collective control.

There are certain urgent political aspects of the first problem that are outside the scope of this volume. It must be stated, however, in general terms, that it is imperative that the problem should not be regarded merely as one of redistributing other people's property, i.e. of redistributing the fruits of Imperialism and ignoring the rights of the coloured inhabitants of overseas territories. The World Conference to tackle some of the grave problems of this order created to some extent by the Peace Treaties after the Great War is long overdue.

Even if some political changes are made, the basic economic problem will remain. It cannot be solved in terms of national economic self-sufficiency. The lack of certain resources has driven some countries to pursue such a policy, which has been adopted more vigorously during this economic crisis, as national economic barriers have been erected. Moreover other reasons have led important countries to adopt such a policy as their goal. In a recent proclamation,<sup>1</sup> Herr Hitler said,

We are determined, through the production of our own raw material, to make Germany independent of imported goods. This is not, as a matter of fact, a question of "substitute products" but of entirely new materials. For example, the production of petrol from coal has already been begun on an extensive scale and will in the near future cover a high percentage of Germany's fuel requirements through the continual opening of new factories.

Italy is seeking a similar path.<sup>2</sup> It cannot succeed, however, in the modern world. The nations' interdependence is fundamental.

The extent to which this is so is inadequately realised. Even the United States, which is considered to be extremely self-sufficing and well-favoured in regard to

<sup>1</sup> To the Nazi Party rally at Nuremberg, 11th September, 1935 (*The Times*, 12.9.35).

<sup>2</sup> Cf. Signor Mussolini's speech, 23rd March, 1936 (*The Times*, 24.3.36). On this occasion, however, he admitted the limitations of such a policy



supplies, depends, like every other industrialised nation, on external resources. Notwithstanding its highly-favoured position the U.S. depends almost entirely on foreign sources for several important minerals: antimony, chromite, manganese, nickel, tin, asbestos, bauxite, nitrates, platinum and potash; and it is very largely dependent on foreign sources also for mercury, tungsten, barite, china clay, fluorspar, graphite, magnesite, mica and pyrite.<sup>1</sup> The U.S. imports all her rubber and raw silk, half her wool, increasing amounts of petroleum and wood, most of her raw sugar and many minor fabricating materials, and food from all parts of the world, and is indeed one of the best examples of the increasing interdependence of all nations; for certainly no other country is so richly endowed with raw materials, both in quantity and variety. The United States produces an abundance of cereals, meats, cotton, sulphur, iron and coal, and limited amounts of wood, wool and petroleum. She has over 50 per cent of the world's known reserves of coal, and about half of the iron ore. Nevertheless, she becomes more dependent each year upon raw materials from Asia, Oceania, Canada, South America, Africa and elsewhere.

No country [says another writer], not even the U.S., can or will ever produce, from its own natural resources, the variety and quantity of minerals needed for peace-time industrial requirements:<sup>2</sup> for minerals, unlike vegetable products, cannot be transplanted, cannot be reproduced synthetically and cannot be replaced by artificial substitutes.<sup>3</sup> . . . No country is or ever will be self-contained with regard to essential mineral supplies.<sup>4</sup>

Mr. Raymon B. Fosdick, at the twenty-fifth anniversary of the founding of the Carnegie Institute of Technology at Pittsburgh, U.S.A., made some interesting comments upon the dependence of the United States

<sup>1</sup> Leith, *op. cit.*, pp. 49-50.

<sup>2</sup> And, he says, an industrialised nation needs from five to twenty times its peace-time requirements for war purposes.

<sup>3</sup> Holland, *op. cit.*, pp. 18-19.

<sup>4</sup> *Ibid.*, p. 38.

of America on other countries for many materials which she could not produce herself. He said:

Similarly each country must rely on other countries to supply the commodities or the services which are lacking or inadequate within its own boundaries. Italy has no coal or iron; France has no oil; Great Britain must import two-thirds of her food supply; the United States is dependent on other countries for tin, silk, nickel, rubber and many other commodities. The tyres on our automobiles come from the rubber plantations of the Dutch East Indies. Our newspapers are made of Canadian wood pulp. We could not manufacture a telephone receiver or an electric light bulb without calling on help from abroad. The War Department in Washington has listed specific materials which are called strategic because they are essential to the prosecution of war, and because we either do not produce them at all, or can supply them only in quantities insufficient even for peace time requirements.

Here in Pittsburgh you are acquainted with the production of steel, and it is not necessary for me to tell you that 40 different commodities, assembled from 57 different countries, are necessary to the manufacture of your chief commodity. Nickel from Canada, vanadium from the High Andes of Peru, manganese from the Caucasus, chrome from New Caledonia in the Southern Pacific—it is by grace of these materials, and through the sweat of the labourers of these countries, that we have locomotives and turbines and skyscrapers. . . .

A country that could not make a locomotive, an automobile or an airplane without materials from abroad, can scarcely be called self-contained. A country that could not even carry on war without the aid of 30 essential commodities from other nations cannot boast of its national independence. By the same token, a country whose excess wheat and cotton are rotting in fields and storehouses because its foreign market has gone to pieces, is not in a position to talk in terms of Washington's Farewell Address. <sup>1</sup>

That the U.S. cannot be independent also was emphasised more recently by two leading Americans. Mr. F. B. Sayre, Assistant Secretary of State in the

<sup>1</sup> *Foreign Affairs*, London, April, 1931, p. 494: "America and Economic Internationalism".

U.S. State Department, speaking on 30th April, 1935,<sup>1</sup> said that even a vast country like the U.S. cannot live within a closed economic system. "If we cannot sell abroad our cotton whole sections of the South face destitution. . . . Our national welfare becomes more and more dependent upon an ever-increasing international trade."<sup>2</sup>

Again, Mr. Cordell Hull declared that "only by

<sup>1</sup> Addressing the Annual Meeting of the Chamber of Commerce of the United States, Washington, quoted in *Remarks on the Present Phase of International Economic Relations*, League Economic Committee, 1935, Doc. C 344, M 174.1935.II.B, p. 42.

<sup>2</sup> Mr. Sayre said. "Any thoroughgoing and sweeping programme of economic self-sufficiency is as impossible in the world of fact as it would be undesirable in theory. How long would the people of the United States be willing to go without coffee? Last year we imported \$133,154,000 worth of coffee. How long would we be willing to go without rubber? We imported last year \$101,532,000 worth of rubber. Are we ready to forego the use of tin? Or to give up using silk? Or tea, or bananas or chocolate? Is it going to profit us and add to our material welfare to cease importing the vast quantities which we are now using and which we need of nickel, of manganese and tungsten ore, of newsprint and paper, of innumerable raw materials which I need not stop to name? We cannot set ourselves up as a hermit nation. If the American standard of living is to be maintained, we must trade.

"But the need of foreign trading rests upon necessities more biting than our requirements of certain imports. It is the necessity of selling certain exports to avoid a violent dislocation of our whole domestic economy that burns into us the need of foreign trade. *If we cannot sell abroad our cotton whole sections of the south face destitution.* Such destitution and economic disaster would not be confined to the producers themselves, but would be transmitted through diminished purchasing power into the business life of every town and village in the producing areas, and from these would spread injury throughout our country.

"High protectionists are fond of pointing out that even in normal times the amount of *surpluses necessary to export is less than 10%* of our total domestic production, and that foreign trade is therefore of comparatively small importance and can weigh but little in the balance of our domestic prosperity. But here averages tell a false tale. In certain industries the figures run extraordinarily high. Even in 1933, when our foreign sales had sadly shrunk, we exported abroad 66% of our cotton, 39% of our leaf tobacco, 25% of our lard, 25% of our prepared milk, 46% of our dried fruits, 28% of our canned fruits, 58% of our turpentine, 34% of our lubricating oil, 37% of our aircraft engines and parts, 16% of all classes of industrial machinery combined, 41% of our refined copper, and 71% of our resin.

"Do you see what that means translated into terms of human labour? Our national economy has been geared to support millions of workers in occupations which have come to be vitally dependent upon foreign markets. Strip those industries of their foreign markets and you drive millions of Americans out of the only forms of employment which many of them can live by.

"Let me illustrate concretely what I mean. In the field of agriculture, if

restoring the whole world can individual countries hope to remain economically healthy long".<sup>1</sup>

What is true of the U.S. is true of all industrial countries. Economic self-sufficiency is no gospel for them. This is forcibly illustrated in a recent document issued by the League Economic Committee,<sup>2</sup> by reference to the French position in regard, more especially, to the wool industry. This points out that if France were to produce the wool required for clothing her population alone the whole territory would have to be given up to sheep-raising, and no room would be left for cattle-breeding, the growing of cereals, fruit and vegetables, industrial plants, for forests, vineyards, etc., whose vital products would have to be imported, not mentioning the various products that cannot be grown on French soil, such as cotton, rubber, coffee, etc., and other raw materials, such as metals, mineral oils, etc.

we should eliminate our foreign markets, speaking in round numbers we should have to retire about 8,900,000 acres of wheat land, about 22,800,000 acres of cotton land, about 665,000 acres of tobacco land, about 9,150,000 acres of corn land needed for raising hogs, and over 7,000,000 acres of land needed for horses to work these lands. In other words, we would have to retire over forty million acres of average farm land and let it go back to weeds and forest. This land to-day supports a farm population of some 3,200,000 people. What are you going to do with these human beings? What is to be done with the hundreds of thousands of cotton-pickers of the South, forced into idleness, and the large farming populations in the wheat lands, the corn belt, the tobacco fields?

"In the industrial field an even larger problem presents itself. Estimates indicate that the industrial population directly dependent upon export sales is more than twice as large as that engaged in agricultural work and may be reckoned at about 10,000,000.

"It will not do to say with those preaching economic nationalism that America would be better off if all this population were shifted to occupations not dependent upon foreign sales. Theories will not serve. We are living in a world of fact. Into what other forms of employment could this great population be shifted, even were it expedient to do so? Such a disruption would involve social and political problems beside which the 'regimentation' of the present day would seem like child's play.

"As our whole complex economic and financial interdependence increases, our national welfare becomes more and more dependent upon an ever-increasing international trade. . . ." (Doc. C 344, M.174 1935.II B, pp. 42-3)

<sup>1</sup> Quoted, M. Georges Bonnet, Second Committee of the 1935 Assembly, 17th September, 1935

<sup>2</sup> Doc. C 344, M.174.1935 II.B, op cit., pp. 46-7.

In order to live in the way she wishes to, France is obliged to levy a sort of tribute in kind on a number of territories (apart from her colonies) in all quarters of the globe, and those territories, if they were joined together, would form an area four or five times the size of France. This idea can be illustrated by saying that France has two territories; a *geographical* territory bounded by her frontiers and an *economic* territory which is infinitely larger and which is determined by the requirements of her standard of living. The same applies to any other country in a similar position economically—e.g. the United Kingdom, Germany, Switzerland, Italy, Belgium, etc. . . . In the long run France, like other industrial countries of the same type, can only obtain the things necessary for her normal life by exchanging, either directly or through one or more other countries, her industrial products against the products of the soil or agriculture of other countries. To put it more briefly, *she may be said to barter national labour for strips of foreign territory*.<sup>1</sup>

France depends mainly or wholly on foreign sources (outside colonies and Mandates) for such minerals as antimony, barite, asbestos, coal, china clay, copper, lead, magnesite, manganese ore, mercury, mica, petroleum, quicksilver, sulphur, pyrite, tin and tungsten, zinc, nitrates and fluorspar. Germany depends largely, in some cases wholly, on foreign sources for such minerals as asbestos, aluminium-ore, antimony, chrome, copper, iron-ore, lead, china clay, graphite, magnesite, manganese ore, mercury, mica, nickel, petroleum, phosphates, pyrite, quicksilver, soapstone, sulphur, talc, tin, tungsten and zinc. Italy cannot meet her requirements of such minerals as chrome, coal, copper, iron-ore, manganese-ore, mica, nickel, petroleum, tin and tungsten.<sup>2, 3</sup> Russia depends on foreign supplies partly for copper and sulphur

<sup>1</sup> In this latter case the italics are mine

<sup>2</sup> It can support itself only in aluminium, mercury, zinc, barite, graphite, sulphur, talc, soapstone, iron, lead, fluorspar, gypsum, potash and pyrite. On 23rd March, 1936, Signor Mussolini emphasised Italy's lack of certain raw materials. Though she had plenty of iron, bauxite and leucite, zinc, lead, mercury and manganese, he said, she needed, for example, certain qualities of coal for special purposes. Within a certain space of time "she would dispense with 40-50 per cent of coal imports" (only).

<sup>3</sup> Leith, op. cit., and Holland, op. cit.

and mainly or wholly for antimony, molybdenum, nickel, quicksilver, tin and tungsten. The mineral resources of Japan are quite inadequate to meet her industrial plans, let alone her military ambitions; although the addition of the natural resources of Manchukuo to those of Korea has reduced her dependence on outside resources, and further essential minerals, such as antimony, can be obtained from South and Central China.

Apart from the Commonwealth Britain is exceedingly dependent on outside sources of essential minerals. Great Britain herself, within her own boundaries, has few minerals; but the resources of the whole Commonwealth would make her stronger even, perhaps, than the U.S., which is the outstanding mineral country. Even then, however, the Commonwealth would lack such minerals as antimony, potash, mercury, sulphur, talc, soapstone, nitrates, barite and magnesite, and perhaps some petroleum oil, tungsten, quicksilver, molybdenum and certain kinds of iron ore.

"Nations, thus, are mutually interdependent in regard to mineral supplies. Even the most favoured nation must look outside its boundaries for essential minerals, and many nations lack almost all of the necessary minerals."<sup>1</sup> Nations tend increasingly to specialise in minerals; e.g. the U.S. in oil and copper, Great Britain in tin, and Germany in potash. Moreover, fewer and bigger units of commercial control of (through ownership of deposits and reserves, or through ownership of smelters, refineries, pipe lines and transportation lines, or through selling and other agencies or associations) minerals are being realised; and there is a tendency to world monopoly by one company, or a co-operating group of companies in regard, for example, to nickel, vanadium, aluminium, potash, asbestos, mercury, diamonds, bismuth, sulphur and natural nitrates. Though there is a more divided control of copper, iron, lead, oil, tin and manganese, the units of such control are few enough to facilitate world co-operation. The prob-

<sup>1</sup> Leith, *op. cit.*, pp. 11-12.

lem is complicated by the fact that national sources often are owned and exploited by foreign capital; e.g. in Mexico (British and U.S. capital). Concentrated and limited political control has followed concentrated and limited commercial control; so that the British Commonwealth and the U.S. exercise a predominating influence. Hence the growing international uneasiness regarding the control of the limited sources of minerals.

Moreover, from the point of view of the world as a whole attempts at national self-sufficiency are uneconomic. For what is the fundamental economic law? Production, to be most economic, should be carried on where there is the greatest "differential advantage", and on the principle of the international division of labour. It is most economic, for the whole world, for countries to specialise where they have the greatest natural and other advantages. This is admitted by Herr Hitler, even though he has been driven to practise the opposite policy.<sup>1</sup> Of course, scientific and technical advance may alter our ideas about what constitutes "natural advantages". It may be that it will be cheaper and more desirable for the world as a whole to produce artificial products in certain cases. Much progress is occurring in this direction. Take one case, that of artificial nitrates in Germany, the U.S. and Great Britain, and the effect upon Chile. Such progress must be taken into account; but decisions on such a problem ought to be taken by an international body, especially in view

<sup>1</sup> "We are all convinced that, looking at the matter from a broad standpoint, the achievement of complete economic autarchy by all States, by which we are threatened to-day, is undesirable and cannot fail to have harmful consequences for all nations. From the economic point of view, it is hardly reasonable to attempt artificially to convert countries which, by their very nature, are producers of raw materials or are agricultural countries into industrial States, and conversely to attempt to compel over-populated industrial States to produce raw materials or their substitutes on a primitive basis. In the case of Europe, this evolution will one day have very unpleasant and disastrous consequences. Unfortunately Germany alone has not the power to modify this tendency, which, from a broad economic standpoint, appears to be unreasonable." (Extract from a speech as Chancellor of the Reich, 21st May, 1935, quoted in *Remarks on the Present Phase of International Economic Relations*, p. 24, footnote.)

of the dependence of whole national economies on one or two raw materials, which may be gravely affected by such artificial production. Indeed the rapid progress of chemistry renders such international action all the more necessary and urgent.<sup>1</sup> Chemical progress can alter radically the value of exclusive possession of a raw material. Chile's loss through the production of fixed nitrogen from the air will be followed by similar threats, to all monopolies of all raw materials, from technical-chemical processes. Germany has attempted to produce synthetic fuel oils, technical fats, including soap and lubricating fats, from coal because of the U.S. control of petroleum products. German chemists are developing the use of wood as a raw material and producer of food.<sup>2</sup> Nowadays we hear that a satisfactory synthetic rubber has been developed to the point of small-scale production of it.<sup>3</sup> There are, in addition

<sup>1</sup> See Report of the Annual Meeting of the American Chemical Society, *New York Times*, 28 3 33; and a lecture, on "Chemical Industries", to the Chartered Institute of Secretaries, by L. A. Munro (*The Times*, 15 1.36).

<sup>2</sup> Addressing the International Conference on Timber Utilisation and Research, at the London Chamber of Commerce, on 3rd April, 1936, Professor Friedrich Bergius, of Heidelberg, spoke of chemical processes developed in Germany, with special reference to the use of wood as a new raw material. By new processes wood could be decomposed so as to give two-thirds in the form of raw wood sugar and one-third in the form of lignin. Waste timber could feed animals and men. Wood sugar contains many different sorts of sugar. By further refinement and transformation the chemist could get from it crystallised glucose, alcohol, yeast, glycerine. One could get, therefore, grease, proteins and carbohydrates, and so all the elements for animal feeding and human alimentation. Fat could be obtained by the concentrated feeding of livestock on wood sugar. The chemistry of lignin offers important possibilities. Lignin can be charcoaled to produce gas, which could be used to eke out petrol supply. Germans have found a method of producing artificial silk from trees such as burch and beech: they are making "woollen" and "cotton" clothing from wood. See *The Times* and *Daily Herald*, 4.4.36.

<sup>3</sup> In Herr Hitler's proclamation, read by Herr Wagner, Minister of the Interior, at the Nazi Party rally at Nuremberg, on 11th September, 1935, he said: "As the problem of producing synthetic rubber can now be regarded as definitely solved, the erection of the first factory in Germany for this purpose will at once be begun" (*The Times*, 12 9 35). Again, on 16th February, 1936, he said that this synthetic rubber, "Buma", was used by the Army (*The Times*, 17.2.36), and that Germany had an assured supply of synthetic petrol. Eighty per cent of Ruhr collieries are participating in a scheme for producing fuel oil from coal (*The Times*, 24.2 36).



to synthetic fertilisers, synthetic resins for new types of moulding compounds, paints and varnishes, various types of synthetic alcohols, new types of metal alloys, and synthetic indigo. Successful experiments are said to have been made in Italy in the production of artificial synthetic wool from one of the main constituents of milk, casein.<sup>1</sup> Italy also is making a substitute for jute from broom, and is producing oil from coal and synthetic cotton. Though most of these synthetic products only supplement existing materials they may tend to displace them—and that, as stated above, raises very vital problems.<sup>2</sup>

Similarly important problems are raised by the development of substitutes for raw materials. High prices and the desire for national independence have led to intensive searches for substitutes. Thus, recently it was announced that tin substitute inventions had been attempted; and that experiments with an aluminium coating on steel similar to tinsplate had reached an advanced stage in the U.S. and Germany.<sup>3</sup> Italy has just set up a Corporative Committee for liquid fuels to plan the production of liquid fuel substitutes from Italian raw materials. German chemists are seeking substitutes for the ores, copper, lead, tin, nickel and manganese, which she lacks.

The second problem concerns us, in this volume, more closely and is a much more important and vital one. This crisis has made it a major problem. First, it is clear that free trade and laissez-faire have failed completely. They have largely caused the trouble. The course of production and world trade *must* be guided. Next, it must be realised that the problem is one of *relative* over-production. There can be no real over-production while masses of consumers all over the world are under-supplied with most commodities. Consider this aspect of the problem. Brazil has destroyed

<sup>1</sup> *The Times*, 22.10.35, and Signor Gayda, in *Giornale d'Italia*, 11.10.35.

<sup>2</sup> It should, of course, be borne in mind that chemistry also finds new uses for raw materials, and agricultural products are consumed by it in large quantities. In particular, cotton is now an important chemical raw material.

<sup>3</sup> *The Times*, 7.10.35.

over 26½ million bags of coffee during the last few years. In 1932, it burned, or otherwise destroyed 9,319,000 bags, i.e. an amount equal to 40 per cent of the entire world consumption for the 1931-2 crop year; which represented a total of over £1,000 million, or enough coffee to supply every man, woman and child in the U.S. with a cup a day for a year.<sup>1</sup> What is true of coffee is even more true of cotton. The solution, therefore, must not be in terms of restriction of production. Nor is the solution in the mere rationing of exports. That gives a certain stability; but does not solve the fundamental problem. The essential problem, involving the performance of a collective function, is the regulation of production by relating it to consumption. On this basis stable markets can be guaranteed to producing countries.

The solution, however, must not be in terms of merely bolstering up prices for producers; although the latter must get a fair return, whether they are private or public producers.

This matter is very urgent. It is particularly urgent for countries like Egypt,<sup>2</sup> Brazil and Chile, which depend largely on one commodity, and for those, like Australia, which depend on a few primary products. It is urgent for the older industrial countries because, if these national economies are ruined their markets for manufactured goods also are ruined to that extent. It is urgent because, if the masses of people throughout the world are to get a high standard of living it can only be on the basis of the most efficient system of world production and exchange. The coming World Economic Conference must be made to face this problem as an urgent one. International collective action is necessary to solve it. Only public control can evolve the necessary stable

<sup>1</sup> According to the New York Coffee and Sugar Exchange, quoted by Reuter's Trade Service, *Manchester Guardian*, 31.1.33. Later figures, audited by the Brazilian Accountancy Institute in conjunction with Messrs. McAuliffe, David Bell & Co., show a total of 26,561,000 bags up to 15th April, 1934 (*The Times*, 30.4.34).

<sup>2</sup> Cotton constitutes 80 per cent of her exports in a normal year.

and efficient system. The League Economic Organisation must be told to prepare the necessary statistical material to enable the world's production possibilities and consuming needs in respect of raw materials to be measured. Machinery for international exchange must be provided. Barter has been resorted to and in deed, if not in form, it must be the principle on which such trade is conducted. An international body, as part of a world economic organisation, to which reference will be made later, must organise this production and trade. As during the Great War it will be necessary to *organise* international purchase and distribution, which can be done again, given the will.

All this evidently must rest on an adequate national system of control. Experience at Geneva, in connection with coal, has shown that unmistakably—and, to be successful, such a control must have a Government sanction behind it.

### (3) *The Necessity of Preliminary National Control*

It is instructive, therefore, to recall that, apart from Russia, Italy, and Germany (and to a lesser degree, the U.S.), where special circumstances have led Governments to control not only raw materials but also the whole economic system, Governments have intervened to a growing degree in owning and/or controlling production of and trade in these essential materials. Also, other forms of collective intervention have occurred. Let us analyse some of this experience by countries, by commodities, by methods adopted, by co-operative controls and with special reference to minerals.

### *Experience in Various Countries*

#### BRITISH COMMONWEALTH

The *UNITED KINGDOM* Government owns oil interests (e.g. in the Anglo-Iranian Oil Company). It exercises control over the beet sugar industry, the coal industry (to an increasing extent), and the whaling

industry (under the 1934 Act, by a system of licences). Home-grown wheat is controlled through the 1932 Act, which provides for a Wheat Commission and a compulsory Flour Millers' Corporation. There is a measure of control of agricultural marketing through the 1931 Act, providing for the formation of Boards in certain circumstances. There is a certain measure of legislative control over the petroleum industry.

In *AUSTRALIA* the *Federal* Government owns oil undertakings. It has controlled exports of fruit, dairy produce and sugar. In 1930, it put forward a plan for a compulsory pool for bulk handling of wheat, with State and Federal Boards; and a Meat Export Control Board has been initiated. Several *States* have controlled the marketing of important primary products. In *NEW SOUTH WALES* there are State coal mines. In *QUEENSLAND* the State strictly controls the exploitation of petroleum. In *SOUTH AUSTRALIA* the State has controlled sandalwood production, by agreement with *WESTERN AUSTRALIA*: output from private and Crown lands has been limited. In *VICTORIA* there are State coal-mines. In *WESTERN AUSTRALIA* the Government has controlled sandalwood; and the bulk handling of wheat by a co-operative body has been supervised by the Government.

In *CANADA* the State runs the reindeer industry. It assisted agricultural pools and, recently, set up a Grain Board. Federal and Provincial Governments have put embargoes or other restrictions on the export of pulpwood and timber.

In *INDIA* there are State cinchona bark plantations and the Government buys from private plantations. There are State opium and salt monopolies. The Government controls the sandalwood industry in *MYSORE STATE*: in 1916, it set up two factories. Formerly the logs had been exported. In *BENGAL* the Government has reduced the planted area for jute. In *CEYLON* the Government owns and exploits a pearl fishery.

The *IRISH FREE STATE* Government controls the marketing of meat and milk and dairy produce.

*NEW ZEALAND* has State coal-mines. The Government controls export of phorium; and has a kauri gum monopoly, controlling trade and export therein through a special Board. Dairy produce is controlled through a co-operative group marketing system. The State controls mineral resources.

In *SOUTH AFRICA* the State has diamond diggings in Namaqualand and controls the industry through a special Organisation, ensuring a proper relation between production and demand, preventing the market from having large stocks forced on to it, grouping all producers in one body, of which it is a member, and controlling the exploitation of new alluvial fields, etc. It controls guano. It owns iron deposits, through its special Iron and Steel Corporation, and also prospects for oil. It controls manganese and gold, has aided co-operative marketing of agricultural produce, and has promoted compulsory co-operation.

In the *GOLD COAST* the Government engages in the sisal industry. In *SIERRA LEONE* the Government controls minerals, especially platinum. In *NIGERIA* the Government operates coal-mines and controls ground nuts. In *UGANDA* the Government, in 1929, agreed with trading interests to control the cotton industry, to reduce the number of ginneries, provided a guaranteed minimum price for native growers and co-ordinated ginning interests into large associations.

#### EUROPE

*ALBANIA* has a State salt monopoly. Petrol has been given as a monopoly to a semi-official Italian Company.

*AUSTRIA* has State salt and tobacco monopolies.

In *BELGIUM* the State owns mining interests (in the Congo). In 1931 the Government bought excess cotton output in the Belgian Congo.

In *BULGARIA* there are State mines. The State controls natural silk.

In *CZECHOSLOVAKIA* there are State silver mines. The State participates (with a controlling interest) in naphtha mines. It has created special bodies to control the grain, dairy produce and cattle trade.

In *DENMARK* the State controls cryolite.

In *ESTHONIA* there is State ownership and export of shale oil, ownership of minerals and schist concerns.

*FINLAND* has State control of copper ore exports.

In *FRANCE* the State has limited the area planted for vineyards. There is a State tobacco monopoly. The State has introduced measures to control the wheat and corn, potash and oil as well as the wine industries.

In *GERMANY* the *Reich* has owned calcium nitrate, aluminium and bauxite undertakings. It controls the coal and potash industries, through special bodies. It has set up organs to control oil and petrol production, and production of certain other raw materials. It has created a special organisation to control agricultural production and marketing. The former *States* owned vast agricultural undertakings, vineyards, coal, lignite, potassium and salt mines, limestone, iron, sugar, oil, zinc, lead, cobalt, schist, fixed nitrogen and amber undertakings, mineral oils and fats undertakings.

In *GREECE* the State controls the currants trade and participates in its Controlling Body. There is a State tobacco monopoly; the State has limited the area planted for vineyards and has controlled the wheat industry through compulsory co-operative societies.

In *HUNGARY* the State owns and exploits iron and coal concerns. There are State salt and tobacco (including cultivation) monopolies. The State controls natural silk.

In *ITALY* the Government controls the lime industry (through a special body). It regulates mining—copper, lead, zinc, aluminium (bauxite); it participates in special companies for this purpose. It controls oil through a special national organisation with interests in Albania and Rumania. There are State salt and tobacco monopolies. A Government Coal Institute (1935) controls

the coal industry, issues licences for exploiting deposits, grants loans or subsidies where it holds a majority of shares, sets up and manages marketing agencies for coal worked by it, directly or indirectly. Bananas became a State monopoly on 1st January, 1936. Since 1906 there has been a compulsory association, formed by the Government, of sulphur producers; this has enforced stiff regulations and has fixed maximum selling prices. The Government has established a monopoly for buying certain raw materials abroad. It controls all cotton imports and exports through a special Institute. To meet the emergency created by the imposition of sanctions, the Government has controlled production of and trade in all minerals and raw materials, and has introduced war-time requisitioning. In October and November, 1935, the Government framed special plans for a better utilisation of national raw materials, a thorough control of their purchase and a strict organisation of production programmes.

The *NETHERLANDS* Government operates coal-mines.

In *NORWAY* the State controls mines and regulates the whaling industry. It has operated a grain monopoly.

In *POLAND* there are State coal- and salt-mines and petroleum fields (exploited by special State companies): the State has united all refining companies in a compulsory cartel and owns the most important refinery. It has salt and tobacco monopolies. It controls potash (and holds shares in potash enterprises) and potassium salts.

In *PORTUGAL* the Government limits the area planted for vineyards.

In *RUMANIA* the State owns and exploits oil-fields and oil-wells (in 1927 over 50 per cent of production), coal, silver, copper, lead, gold, iron, mercury, antimony, zinc, and natural silk enterprises. There are State tobacco, salt and quinine monopolies. The State has limited the area planted for vineyards.

In *SPAIN* there is a State quicksilver monopoly. The Government controls all mining, potash, natural

silk, oil and fuel (through a Company in which it has shares). There is a State tobacco monopoly and the State owns a cotton estate.

In *SWEDEN* the State owns, through a special Company, huge iron ore deposits. It has a tobacco monopoly in Company form.

*LATVIA* has a State flax monopoly.

*TURKEY* has a State tobacco monopoly.

In *YUGOSLAVIA* the Government operates iron- and coal-mines, oil undertakings and vineyards. There are State petroleum, salt and tobacco monopolies.

#### JAPAN

The State engages in the natural silk industry, in Korea. The Government has bought large amounts of this commodity to hold it off the market in order to aid growers: it regulates output. The State owns coal-mines and phosphate concerns. It has monopolies in camphor (and in Formosa), salt and tobacco (and in Korea) and opium and salt monopolies in Taiwan. The Government controls, and buys and sells rice. It controls fertilisers (sulphate of ammonia, calcium cyanide, etc.)—of which it holds stocks—and oil.

#### SOUTH AMERICA

In the *ARGENTINE*, in 1927, 60 per cent of oil output came from State wells. A wheat pool was formed in 1930; and since 1933 the Government has controlled wheat prices and supplies.

In *BOLIVIA* the State controls tin and oil.

In *BRAZIL* the Government controls mining, oil, coffee and sugar.

In *CHILE* the Government controls mining and nitrates; and there is a State oil monopoly.

In *COLOMBIA* the Government controls oil, and salt mining. A 1935 Bill provided for State intervention in the coffee industry: through a national coffee Department, under the Minister of Agriculture, with State



purchase and export, and, as deemed desirable, State sale and distribution in foreign markets.

*MEXICO* has nationalised all minerals and exercises elaborate supervision over coal, precious stones, etc. For a long time the Government (Federal and State) has exercised a special control over the production of henequen (hemp).

In *VENEZUELA* there are State coal-mines and the State controls oil.

#### UNITED STATES OF AMERICA

The Government owns oil wells on *Federal* lands. It has sought to control oil production.<sup>1</sup> The Government controls the Alaska reindeer industry. The State runs fixed nitrogen works in the Tennessee Valley. Through its Agricultural Adjustment administration,<sup>2</sup> Federal Farm Board, Federal Surplus Relief Corporation, Commodity Credit Corporation, Farm Credit Administration, Reconstruction Finance Corporation and other farm credit Acts, it has controlled the production of various basic crops, limiting output, purchasing part of supplies, carrying-over and storing surpluses and making advances to growers. It has passed special legislation fostering the growth of agricultural co-operative marketing.

#### OTHER COUNTRIES

In *IRAN* the State has opium (including cultivation), sugar, tea, and tobacco (including cultivation) monopolies.

In *IRAQ* the Government controls oil and has a salt monopoly.

In *EGYPT* the Government has limited cotton acreage, bought cotton, and stored it in its warehouses, provided credit for agriculturists and aided co-operative societies.

In *MOROCCO* (French), the State participates in coal-mines and in a petroleum consortium. Through a National Office the Government operates a phosphates

<sup>1</sup> As will be seen later, the Supreme Court's action modified this control.

<sup>2</sup> *Ibid.*

monopoly. In *SPANISH MOROCCO* there are State phosphate concerns.

In the *NETHERLANDS EAST INDIES* the State exploits gold, silver, coal and tin, controls the oil industry and participates in a naphtha company. There are State opium and salt monopolies. There is a Government selling organisation for mineral products. The State controls rubber production: it has prepared a scheme of individual restriction of native production instead of the export duty control. In October, 1935, it made available a large sum for taking over export licences for output from estate and native producers.

*Experience in regard to Various Commodities*

*Camphor*.—In Japan (and Formosa) the Government has controlled production, sale and prices since 1899: there is a Government monopoly of collection and sale.

*Coal*.—In Germany the Government owns many mines. Under France the Saar Mines were run by an independent National Office. The Italian Government controls the industry through a special Institute.

*Cocoa*.—In Ecuador the Government has pursued a valorisation policy, buying part of available supplies and keeping it off the market to keep up prices.

*Coffee*.—In Brazil the Government (State or Federal) since 1905 has controlled the industry by various measures; e.g. purchase of supplies to keep amounts off the market pending better prices; restriction of production; valorisation; prohibition of new planting; creation of a special Institute, with provision of Government warehouses and credits and control of marketing; followed by a National Council for the industry, exercising control, buying and burning stocks, and undertaking barter transactions abroad; followed by a National Coffee Department. In British East Africa the Government introduced a Board to improve marketing. In British Guiana a Government Committee advised the creation of a Trust to take over coffee for the local market, sell at prices fixed by the Government and advance production

costs to growers; and suggested that provision should be made for a co-operative supply of better drying machinery. A 1935 Bill provided for, State control of production in Colombia, through a National Coffee Department, State purchase and export, and State sale and distribution abroad if deemed desirable.

*Copper.*—The Belgian Government owns a controlling interest in the Katanga (Congo) mines.

*Cotton.*—The U.S. Government has controlled output and prices, likewise the Egyptian Government. Stocks have been bought by these Governments, in adopting a valorisation policy. The U.S. Government Agricultural Authority asked for crops to be destroyed. The Egyptian Government, in particular, also has limited acreage and plantings. Both Governments have aided marketing and have had to give financial assistance to growers hit by world over-production. In the Sudan the Government controls the industry in partnership with a company. In Brazil the State owns farms and exercises control. The Belgian Government has bought excess output in the Belgian Congo. The Italian Government controls all imports and exports through a special Institute. The Uganda Government agreed to reduce the number of ginneries, to co-ordinate ginning interests into large associations, and to provide a guaranteed price for native growers.

*Currants.*—Since 1895 the Greek Government has exercised control and it participates in the controlling body. It has limited production, stored stocks, taxed new plantations and given advances to growers.

*Diamonds.*—The South African Government engages in the industry and has controlled all output by agreement with private concerns, through a special organisation, of which it is a member. It seeks to relate output to demand, and to control stocks and exploitation of new alluvial fields.

*Flax.*—Latvia has a State monopoly.

*Ground Nuts.*—In Nigeria the Government controls marketing.

*Iron.*—The South African Government, through a special Company, owns deposits; and the Swedish Government operates large iron-ore fields through a company.

*Jute.*—The Bengal Government has promoted a voluntary scheme for restricting the area under cultivation and has decreed a reduction of such area.

*Kauri Gum.*—The New Zealand Government controls trade and export, through a special Board.

*Lime.*—The Italian Government controls this commodity through a special organisation: it has controlled Sicilian citrate of lime factories for many years.

*Mercury.*—The Spanish Government owns and operates the mines through a Commission. The Italian Government owns some mines and controls the whole industry through a consortium of producers.

*Natural Silk.*—The Hungarian, Japanese, Bulgarian, Spanish and Roumanian Governments exercise control. The Spanish Government has controlled and limited production, forming a special Company to buy stocks to be held over, and then a pool. It has given financial support and has bought surpluses.

*Nitrates.*—The Chilean Government has controlled this commodity in various ways; e.g. compulsory grouping of producers in a single Association which fixed prices, controlled sales and contained Government representatives; provision of credit facilities; formation of a National Company, making the industry an economic unit, with Government participation and control; State participation in a sales consortium.

*Oil.*—The U.S. Government introduced measures compelling States to operate a co-ordinated production scheme, to prevent restriction measures in one State from being wrecked by different measures in another, controlling Oil transport, production and price fixing. In the States of Texas and Oklahoma the military took charge of oil wells to stop production. The French Government controls refining Companies (and participates in them). in Bolivia the State exercises control; likewise in the

Netherlands East Indies, Rumania, Yugoslavia, Spain and Japan. In Chile there is a State monopoly. The Italian Government controls production and marketing through a special organisation with interests in Albania and Rumania.

*Pearlshell.*—The Australian Federal Government sought to regulate exports through a Control Board, representing the Government and producers, with a London agency, and to give licences and control handling, marketing, storing and selling arrangements.

*Phosphates.*—The French Government, in Morocco, exercises a monopoly through a National Office. There are State concerns in Spanish Morocco. The New Zealand Government undertakes exploitation, in Nauru, in company form, together with the Australian and British Governments.

*Platinum.*—The Nigerian Government exercises strict control.

*Potash.*—The U.S., Spanish, German and French Governments exercise control. There are State concerns in France, Germany and Poland. The Alsace mines are run by an independent State organisation. The German Government always has exercised control—by a special National Council (which was changed recently) for a number of years.

*Pulpwood.*—In Canada the Federal and Provincial Governments have controlled exports by embargoes or other restrictions.

*Rice.*—The Government of Indo-China exercises control. The Japanese Government controls this commodity, makes purchases and sells amounts offered by growers.

*Rubber.*—The Stevenson Plan, introduced by the British Government, 1922–8, applied to the Straits Settlements, Federated Malay States, Protected Malay States and Protectorates of Sarawak and Ceylon. It regulated exports and, in practice, output. The Netherlands East Indies Government controls output. Since 1934 the Dutch, British and other Governments have controlled exports and plantings by agreement.

*Sandalwood.*—The South Australian Government has controlled and limited output, in co-operation with the West Australian Government. The Mysore State Government controls the sandalwood oil industry, having erected two factories in 1916; it is said that this State possesses a virtual monopoly of the best grades of oil.

*Sisal.*—The Mexican Government (State and Federal) has controlled henequen for many years, limiting production, through a Commission and then through a Co-operative Society. Planting areas, production, prices and sale have been regulated. In British East Africa it was suggested recently that a central selling organisation should be formed to regulate supplies and stabilise prices.

*Sugar.*—Cuba has had Government control in many forms; e.g. compulsory marketing by a National Committee (with advances made to growers); restriction of production; a National Commission of Control, fixing the amount of the crop for the coming year and an Export Corporation (with compulsory participation of mill operators) for sale of the surplus; Government purchase of surplus stocks; a Co-operative Export Agency to market crops by a compulsory co-operative marketing scheme. There are State monopolies in Egypt and the Sudan. In Brazil the State and Co-operative Societies exercise control.

*Sulphur.*—The Italian Government formed a compulsory Producers' Association, fixed maximum prices and regulated the industry in other ways.

*Tea.*—The Japanese Government controls the industry in Formosa and aids sales.

*Tin.*—The Netherlands Government owns tin mines in the East Indies (all the capital of Banka, and two-thirds of the capital of Billiton mines). The British Malay States Government has bought part of supplies and kept it off the market, to keep up prices. Since 1931 the Dutch, Bolivian, Nigerian and other Governments have controlled production and export, by agreement.

*Vineyards.*—In Yugoslavia the State exercises control. In France, Greece, Portugal and Rumania the State has limited the area planted.

*Whale-Oil.* The British and Norwegian Governments regulate the whaling industry and production of whale oil.

*Wheat and Other Cereals, Fruit and Dairy and Other Primary Produce.*—Co-operative organisation in marketing these commodities has proceeded to a great extent, in Canada, the U.S., Australia, New Zealand, South Africa and in Central Europe. The forms of co-operation are various and often the compulsory principle is enforced. Considerable Government support has been given in various ways. In the Balkans the State has promoted the development on a national scale of co-operative societies for organising agricultural production. In some countries, e.g. the U.S., the Government has created special organisations to purchase surplus stocks, some of which have been destroyed. The U.S. Government has stimulated the reduction of acreage by farmers. The holding of wheat as part of a valorisation plan, to keep up prices, has been practised under Government auspices in such countries as the United States, Brazil, Ecuador, Hungary, and Canada. Recently the latter set up a Wheat Board to control marketing. In Great Britain the Government guarantees a standard price to producers of home-grown wheat up to a fixed maximum, on the basis of a quota payment by millers and importers, who, by a special organisation, have to buy any surplus stocks of home-grown wheat. The Government also promotes compulsory co-operative marketing. In Australia the Federal Government has created dried fruits, butter and cheese, canned fruit and meat Boards to control overseas marketing, and has instituted controls for wheat, wine, rice, cotton and sugar exports. New South Wales, South Australia and Victoria have Dried Fruits Boards; the Western Australian Government controls dried fruits; and in Tasmania a Meat Board controls the export of fat lambs.

*Experience of Co-operative Controls*

BRITISH COMMONWEALTH

There is a considerable amount of co-operative activity in regard to raw materials and foodstuffs in the British Commonwealth.

In Australia, *QUEENSLAND*, introduced a plan of compulsory co-operative marketing of primary products with State help, covering a large variety of commodities, including cotton, cereals, dairy produce, cheese, butter, eggs, arrowroot, peanuts, brown millet, canary seed, Atherton maize and pigs, honey, bananas, pineapples, with Commodity Boards. This experience has been of particular interest. Wheat and sugar control along co-operative lines also has been introduced. A similar system, though not so extensive, was introduced into *NEW SOUTH WALES*, e.g. for rice, honey and eggs. New South Wales also has a Co-operative Wheat Pool. *SOUTH AUSTRALIA* and *VICTORIA* have Wheat Pools. *WESTERN AUSTRALIA* started a Wheat Pool, covering 90 per cent of the crop.

In *CANADA* there has grown up a huge organisation of Co-operative Wheat Pools and pools and societies for various kinds of other cereals, fruit, vegetables, etc.; and Government aid has been given to the movement. Special Government help has been given to the Wheat Pools by way of guarantees and, at one time, appointment of a Central Selling Agency of the Pools, supported by the Federal Treasury.

*NEW ZEALAND* has had a big scheme of primary producers' co-operative marketing and exporting, embracing fruit and honey, dairy produce and meat: Boards of Control have been set up with Government representation. A project was introduced for a compulsory Wheat Pool, with a Wheat Purchase Board.

In *SOUTH AFRICA* for a time legislation also provided for compulsory co-operative marketing. There has been a Co-operative Wheat Pool and a large amount of co-operation among growers of fruit, wool, tobacco



and maize, to which the State has given assistance. *SOUTHERN RHODESIA* has co-operative tobacco and fruit-growers' societies. The Co-operative Fruit Growers are affiliated to the Fruit-Growers' Exchange of South Africa Limited, and South African Co-operative Citrus Exchange. For maize growers there is the Farmers' Co-operative Limited, affiliated to the Federated Farmers' Co-operative Association of South Africa Limited.

In the *WEST INDIES* the Government promoted co-operative growing and marketing organisations for fruit, vegetables, etc., e.g. citrus, oranges, bananas, potatoes, pimento, coconuts, cotton, sugar (with Government help and a Sugar Board), spices, tomatoes, ginger, coffee and honey. The parent co-operative body was in Jamaica (Jamaica Producers' Organising Association Limited, with separate commodity organisations for marketing).

#### EUROPE

*BELGIUM*.—The large Boerenbond Co-operative Organisation for farmers has covered all sorts of crops, e.g. sugar beet, flax, dairy produce, vegetables, live stock breeding (and also coal-mines).

*DENMARK*.—There is a powerful national co-operative movement in dairy produce: it is subject to State control.

In *CENTRAL* and *SOUTH-EASTERN EUROPE* the State has given considerable support to the co-operative movement which has organised much national cereal production and trade, and has covered other commodities, such as tobacco. The *BULGARIAN* Government, with the aid of the League of Nations, has given special aid to agricultural co-operatives.

#### SOUTH AMERICA

The *ARGENTINE* Government has promoted a Co-operative Cattle-Owners' Society to freeze and export meat and regulate the meat trade. There is a voluntary Wheat Pool.

UNITED STATES OF AMERICA

There is a vast network of co-operative organisations, on a nation-wide scale, for handling and marketing crops, covering cotton, tobacco, fruit, raisins, rice, honey and potatoes.

*Experience of Various Methods Adopted*

This experience embraces a wide variety of methods of collective intervention in regard to raw materials, minerals, and foodstuffs: limitation of planting and growing of crops; quota production; licences for exploitation; granting of concessions and legislative control of exploitation and development; national control of output; national control of surplus and storage thereof; construction of elevators; national purchase of surpluses; national control of marketing; national encouragement of co-operatives and syndicates, and of compulsory co-operation; formation of national grain Boards or special companies; national control of exports; import and export duties; Government prohibitions and embargoes; State monopoly of production, directly, through a special form of public concern or through a "mixed undertaking"; co-operative production (to a very limited extent); co-operative marketing and pools; co-operative export; compulsory as well as voluntary co-operatives; Government aid to co-operatives, including the passing of special legislation and financial aid; Government supply of seeds; Government advances on crops; Government credits; Government guarantee of prices; State valorisation; Government disapproval of loans to foreign raw materials' monopolies; Government refusal of special political protection to investors in foreign raw materials undertakings. The general aim of various forms of national intervention has been to stabilise and to guarantee prices, if necessary by reducing production; although sometimes, especially in the case of certain Government monopolies, the obtaining of revenue has been an aim.

*Experience in regard to Minerals*

It is worth while, also, to glance, separately, at what Governments have done to control utilisation of mineral resources. Governments are taking increasing steps to control their mineral resources: by aiding private enterprise, regulating and restricting private undertakings, by direct regulation, ownership and operation, as well as indirectly. Nationalisation of such resources grows. Most Governments regard minerals in the public domain as State property, to be leased privately or exploited only under restrictions and on payment of rentals or royalties to the Governments. Many States have proclaimed ownership of all undiscovered minerals in lands which have gone to private ownership. In some Latin-American countries the private landowner takes surface, and the Government sub-surface minerals. Governments have controlled the movement of minerals through import tariffs (sometimes preferential)—to develop national resources and to build up home smelting, refining and manufacturing enterprises, in one country or in a group of countries; export tariffs<sup>1</sup>—for revenue, conservation, output restriction, market and price control, and development of home smelting, refining and manufacturing enterprises; bounties and embargoes—designed to stimulate home production and smelting of minerals; State conservation measures; State protection to foreign investment; prevention of exploitation by foreign interests; State aid to the development of mineral industries at home and abroad; State encouragement of unification and rationalisation: Government participation in industry; and increasing general Government control.

Let us glance at what various countries have done to control their mineral resources.

<sup>1</sup> E.g. Chilean nitrates; Peru, vanadium and copper; Austrian magnesite; Madagascar graphite; Spanish lead and copper ores, Brazilian manganese; South African diamonds; British Guiana bauxite; and Chinese minerals. Preferential export taxes on Malay tin and Canadian asbestos secured treatment in British plants.

BRITISH COMMONWEALTH

The *BRITISH* Government controls production and sales in the coal industry and has passed legislation in regard to petroleum. Directly, and through the different colonial Governments it controls many minerals in other parts of the Commonwealth. In most countries in the Commonwealth there are restrictions on exploitation and acquisition by foreigners, especially of oil. The British Government has participated in various ways in the Anglo-Iranian Company (thus in Commonwealth Oil Refineries (with the Australian Government)), in the development of oil in New Guinea (Papua—with the Australian Government), in Oil exploration in Egypt (with the Egyptian Government) and in mining phosphates in Nauru (with the Australian and New Zealand Governments). It has concluded an agreement with the British South African Company. It desired that the control of the Turkish Petroleum Company's operations should be British. It has had political control over the Malay and Nigerian tin industry, by preferential export taxes, by compelling reduction of ores in British plants, and by production and price agreements with the Netherlands East Indies. It has interested itself in the Canadian nickel industry and in the Gold Coast manganese industry.

*Australian, Canadian, New Zealand and South African* Governments, and their component States or provinces, exercise various controls of minerals, which are regarded as Government property, requiring leases. *AUSTRALIA* restricts foreign acquisition of minerals. *SOUTH AFRICA* restricts foreign (non-white) acquisition. The Government restricts output of diamonds and has gone directly into the iron and steel industry. The *CANADIAN* Government is taking a growing part in the exploration of minerals and in the industry itself. The Federal and some Provincial Governments have aided the building of refining and smelting establishments, built railways to mineral deposits, and given financial guarantees for other railways.

## EUROPE

In *FRANCE* all unalienated mineral resources are Government property and the Government decides on concessions. Foreign ownership is prohibited. The Government exploits the Alsace potash deposits (and exploited the Saar Mines till they were returned to Germany). It takes part in copper, zinc, lead and other industries through a special organ. In *GERMANY* the State owns all sub-soil minerals and participates in an extremely wide variety of undertakings. In *ITALY* subsoil resources legally are State property and a Government concession is needed for exploitation. The Government has pursued a strong mineral policy, to make the nation self-sufficient, and to conserve resources. It has formed a steel syndicate, covering 95 per cent of total capacity. In *SPAIN* the State owns all minerals and forbids prospecting in the chief districts. Foreigners (other than British or Dutch) cannot operate concessions. The Government monopolises production, import and sale of oil; and expropriated, on its own terms, the former foreign companies. It controls, with the Italian Government, production and sale of most of the world's mercury.

## JAPAN

The Government practically prevents foreigners from having mining rights. It engages directly in operating some mineral resources; and participates in the oil industry of Formosa, China, and Sakhalin Island. Through the South Manchurian Railway it has developed the coal and oil shales of Fushun (Manchuria) and iron ore of Anshan. It participates in iron-ore mining in Formosa and Malay, and in developing the iron and steel industry. It controls the output of the Hanyehping Iron and Coal Company and also China's most accessible iron ore resources near Hankow (though political unrest stopped it from exploiting the latter).

SOUTH AMERICA

Most Governments are increasing their grip on mineral resources, as a protection against foreign capital. In most countries Governments now own undiscovered minerals and restrict concessions. The *ARGENTINE*, *COLOMBIAN* and *VENEZUELAN* Governments prohibit foreign Governments from getting lease contracts or any interest therein. Recent *MEXICAN* laws only allow nationals and national Companies the right to get concessions; and foreigners may get concessions only if they renounce their Government's protection in regard to concessions. Concessions have shortened in duration in Mexico, where more rigid conditions have been imposed. The *CHILEAN* Government has participated actively in the nitrates industry. *ARGENTINE* petroleum resources can be operated privately only by contract with the Government. The Government takes part directly in exploitation, production and sale of oil. *PERU* has created a petroleum monopoly, giving the State the sole right to form commercial monopolies and cartels. In *BRAZIL*, national and provincial Governments control the terms of operation of iron ore reserves: foreigners have to build a plant to meet local needs.

UNITED STATES OF AMERICA

The 1920 General Leasing Act stipulated that, for the one-tenth of public domain not already alienated from the Government, restrictions were placed on private development and acquisition of mineral resources; applying to public lands carrying coal, petroleum, oil shale, phosphates and potassium and sodium salts. The Government kept ownership of minerals and let private capital exploit them only in limited areas and on payment of royalties. Restrictions also have been placed on the development of potash and helium. This 1920 Act also placed limitations on exploitation by foreigners.<sup>1</sup> The

<sup>1</sup> Foreigners may participate only if U.S. nationals can participate in their country.

U.S. Government has participated directly in drilling for potash in Texas and adjacent States and in production of helium for naval purposes. The *PHILIPPINE* Government has limited acquisition of mineral deposits to Filipinos and American citizens; and coal development needs a Government lease. The Government participates directly in a coal Company.

#### (4) *Experience of International Control*

##### (a) *Foodstuffs, Raw Materials, Minerals and Metals*

Various forms of international control have been applied to or proposed for a wide variety of commodities, of which the following are covered here: aluminium; artificial silk; butter; cinchona bark (quinine); coal; cocoa; coffee; copper; cotton; diamonds; lead; maize; mercury; nitrates; oil; olives; opium; pepper; platinum; potash; quebracho; rubber; silver; sisal; steel, sugar; sulphite pulp; sulphur; tea; timber; tin; tobacco; whale-oil; wheat, other cereals, fruit, dairy and other primary produce; wine; wool, and zinc.

*Aluminium.*—A pre-war agreement between the different European producers was smashed by the war. A further agreement between European producers, negotiated in 1923, related only to prices. Another agreement was concluded in 1926, for two years; it was renewed in 1928, for three years. The cartel's object was to regulate and control sales of each member on the basis of a quota allocated to each—applying to sales on the home market and export sales. It also provided for the fixing of a standard price according to quality, and according to an established scale. This cartel agreement, comprising the most important producers in England, Germany, France, Switzerland and Norway, expired at the end of 1931.

*Artificial Silk.*—Attempts at an international regulation of production and prices have failed; but leading European firms have created the "Bureau International pour la Standardisation des Fibres Artificielles".

*Butter.*—In September, 1935, it was stated in the New Zealand press that the Danish Government was about to invite the Australian and New Zealand Governments to co-operate in regulating the international butter market, to raise prices.<sup>1</sup>

*Cinchona Bark (for Quinine).*—Planting, harvesting and prices of bark and selling prices of quinine have been controlled by a central body in Amsterdam, grouping related organisations and comprising most Java planters and all quinine manufacturers, except those in the U.S. In 1892, Dutch and German producers made an agreement regarding quinine. In 1913, an agreement was signed between quinine manufacturers and cinchona bark producers, guaranteeing a minimum price to bark producers for five years, compelling quinine factories to take a certain quantity of bark, forcing planters to sell only to contracting factories and arranging for the East Indian Government to erect a factory for supplying its requirements and those of its natives. A Kina Bureau was formed at Amsterdam, representing producers and manufacturers, to supervise the execution of the agreement, to allocate bark supplies and to settle quinine prices in world markets. A further agreement was signed in 1918, for five years, between Dutch factories (with certain foreign interests excluded) and 90 per cent of Java growers. The quinine convention was renewed from 1924 to 1928, largely on the basis of negotiations, in 1921, with the union of producers parties to the second agreement. In 1928, the convention between producers and manufacturers was renewed for a further five years.

*Coal.*—In another section<sup>2</sup> will be found an account of the efforts made within the League to bring about international regulation of production and markets. A Sub-Commission on Co-ordination of Production and Marketing of the Economic Commission of the Monetary and Economic Conference urged the competent organisation of the League to follow this question and ensure the safeguarding of all interests. It also asked

<sup>1</sup> *The Times*, 3.9.35.

<sup>2</sup> See pp. 42-6.



the League Council to call a Conference of the chief producing countries if no desired results accrued within six months.

The Anglo-Polish Agreement of November, 1934, provided for a fixed ratio between British and Polish exports, and regulation of comparative prices of British and Polish coals. Domestic markets were excluded. The Agreement was for three years and, failing notification by September, 1937, for another year beyond that. A joint Supervising Committee was created and arbitration was provided for. In 1935, efforts were made, in vain, to include Germany in this Anglo-Polish pact.

*Cocoa.*—In May, 1932, the Belgian Government decided to convene, in September, 1932, a Conference, at Brussels, of countries producing cocoa beans to study means of propaganda in favour of chocolate and cocoa consumption. In May, 1933, the Trinidad legislature unanimously passed a resolution, urging the British Government to summon a World Conference on the control and rationalisation of the supply of cocoa, to save the industry from ruin, and proposing a special world output control scheme, formulated by the Trinidad Chamber of Commerce, aiming at restriction of shipments and segregation of surplus supplies. A Trinidad deputation went to London to urge the Secretary of State to act. The Brazilian Envoy to the Washington conversations preliminary to the Monetary and Economic Conference approved the scheme. A Sub-Committee on Co-ordination of Production and Marketing of the Economic Commission of the Monetary and Economic Conference invited the principal producing countries to send to the Secretary-General their views and proposals with a view to calling a subsequent meeting.

*Coffee.*—In 1931, an International Coffee Congress was held at São Paulo, at which a proposal was made for the establishment of an International Coffee Bureau to collect and improve statistics, study methods of increasing consumption and improving marketing and distribution, and consider methods of financing coffee crops and

stocks, and the setting up of an International Bank for the purpose; the necessary finance for the Bureau to be provided by the different countries in proportion to their exports over the previous three years. At another Congress, in Lausanne, before July, 1932, these plans and putting them into operation were to be discussed. The Conference was concerned with the problem of over-production.<sup>1</sup> The Brazilian delegation submitted to the Economic Commission of the Monetary and Economic Conference a draft convention, to be operative for five years for producing and two years for importing nations, providing for: agreement by producing and exporting nations not to promote or cause an increase of production, and to forbid, for three years, renewal of existing plantations and starting or development of new ones; agreement by exporting nations to examine the possibility and the method of reducing their offers, for three years, unless the necessities of consumption, or an increase in prices, rendered such a measure unnecessary; agreement by producing nations which did not export, not to export during the life of the convention; and agreement by non-producing nations not to encourage or stimulate, during the life of the convention, the starting of production. A Sub-Committee on Co-ordination of Production and Marketing of the Economic Commission of the Monetary and Economic Conference asked exporting countries to send suggestions with a view to co-operation in production and marketing, and possibly for the organisation of some international body, to the Secretary-General.

*Copper.*—The Copper Producers' Association controls about 90 per cent of world output. In 1926, Copper Exporters' Inc. was formed. It comprised American and non-American producers. The cartel was designed to assist in the promotion of a balance between production and consumption. It only regulated output of refined (electrolytic) copper. In 1932, fire-refined was brought

<sup>1</sup> See *Bulletin of the Pan-American Union*, September, 1931, for the Report of the Conference.

under the Corporation's control. The cartel's main function was to regulate trade. It did not restrict its members' output. Its New York headquarters (or Brussels Office for Europe) merely centralised the sales made by the whole body of producers and allocated them according to fixed rules. Each member received, for a given period, a proportion of world orders corresponding to the quota assigned to him. He decided whether to reduce output or accumulate stocks. The cartel sold only to metal consumers, eliminating middlemen and their speculation. For a time it aimed at stabilising prices.

A Conference of producers, held in New York, in October–November, 1930, to try to agree on a scheme for controlling production in order to stabilise prices, led to an agreement between the U.S., Canadian and African producers (responsible for 90 per cent of world output), to reduce production to a point where current production did not exceed current consumption. In December, 1931, it was announced that an agreement between American, British, Belgian and Rhodesian producers to relate production to demand would operate from 1st January, 1932. Output was limited to 26½ per cent of estimated production capacity. Limitation was to cease at a certain price level. In March, 1932, an agreement was reached for the reduction of output, from 1st April to 31st December, 1932, to 20 per cent of capacity: foreign sales were to continue to be effected through Copper Exporters' Inc. In November, 1932, an international conference, in New York, proposed to extend through 1933 the existing agreement on production, which was to expire at the end of 1932. In November, 1934, copper company shareholders in Great Britain were demanding an international restriction scheme, by quota or otherwise.<sup>1</sup> A copper shareholders' association was formed to promote such a plan. In the same month the Rhodesian Select Trust stated that its Board was studying continuously the question of an international scheme for co-ordinating production and

<sup>1</sup> *The Times*, 15.11.34 and 17.11.34.

current market demand. An international conference of European and American interests to deal with the problem of the excess of production over consumption was held, in New York, in March, 1935. It was regretted that there was no statistical bureau to provide authoritative figures. A proposal was made to cut general production by 15 to 20 per cent and to restrict American exports to Europe to some extent; and that a large Canadian company producing copper as a by-product, should store excess production for a time. Difficulties were created by the South American companies controlled by the U.S. Another proposal discussed was for the creation of sales agencies. It was stated, in March, 1935, that agreement had been reached on a 20 per cent reduction upon an agreed standard rate of output—increased by 10 per cent after 1st June, 1935; and on a reduction of U.S. exports; such agreement to operate for at least one year from 5th May, 1935. An official statement<sup>1</sup> declared that producers participating in the conference were the chief ones outside the U.S. and they covered over 75 per cent of total foreign primary production of straight copper, excluding Russia and Japan (which import copper from outside sources in addition to their respective production). Scrap copper, it was said, could not be controlled. The conference considered production control, marketing methods and trade practices. It considered the industry's problems in connection with production from sources outside the U.S. and its sale in foreign markets. The conference did not deal with production or sales in the U.S., from which market participants are excluded by an excise tax and which market is covered by a Presidential Code. It was agreed to curtail production by 30 per cent per annum as from 1st June, 1935 (till when, from 1st May, by 20 per cent). These reductions were applicable to the so-called basic tonnages fixed for each producer. Canadian and Peru producers did not participate in the scheme; but they agreed not to increase their production to an

<sup>1</sup> *The Times*, 30.3.35.

unreasonable extent and to hold off the market—at any rate for a time—part of their copper output (which is largely conditioned by that of nickel and precious metals). They also promised to co-operate in arrangements made for organising sales. A permanent Committee, established in Europe, comprising one representative each of five important American, Rhodesian and Belgian companies, was to deal with all questions relating to reduction of output. Sales were to be organised within the framework of an elastic formula giving individual producers a certain latitude. There were to be two offices, in New York and Brussels, to collect data and statistics on stocks and sales. Also a permanent sales committee of five, with offices in Europe, was provided for; to allow a daily contact between the different selling agents in order to eliminate price competition and to stabilise the market. U.S. exports were to be limited; American producers retaining their stocks until the selling price in Europe rose above a given level. Exports of primary copper were to be limited to a given figure per month while non-American output remained reduced by 30 per cent. Moreover, probably exports of copper by customs' smelters would be limited to a monthly figure. The international agreement was worked out in relation to the declared policies of by-product producers and large copper stock owners, with whom consultations took place.<sup>1</sup> An organisation was created to compile full statistical information so that, while there would always be an adequate supply, accumulation of excessive stocks would be avoided. Co-operation in foreign markets of producers other than those represented at the conference, was promised. Uniform trade practices governing sales, deliveries and terms of payment would be adopted. There would be no pooling of sales; but an effort would be made to ensure stable markets and to avoid wide price fluctuations. The Agreement would operate for a trial

<sup>1</sup> See Sir. A. Geddes' address, as Chairman of the Board of Rio Tinto Company, Limited, at the Sixty-Second Ordinary General Meeting (*The Times*, 25.4.35).

year, up to 1st May, 1936, when it would be open to renewal for a further two years and would end on 1st July, 1938.<sup>1</sup> In April, 1936, it was announced that this Agreement would continue automatically till 1st July, 1938.<sup>2</sup>

A Sub-Committee on Co-ordination of Production and Marketing of the Economic Commission of the Monetary and Economic Conference invited Governments of the producing countries to submit, before 15th September, 1933, to the Secretary-General of the Conference, their views and proposals regarding the organisation of production of and international trade in copper with a view to calling a meeting of experts to see whether it would be possible to conclude an Agreement.

*Cotton.*—In 1904, spinners in many countries agreed to curtail production. Following on a suggestion that the New Orleans Cotton Conference recommended banning cotton planting for 1932, in 1931 the Egyptian Government suggested to the U.S. Government that an International Conference should be held or an International Committee appointed to study the problem of surplus cotton stocks in order to stabilise world prices. The U.S. Government refused to confer on limitation of acreage or production, or prohibition of exports, but agreed to discuss means of disposing of surplus stocks. In November, 1931, some members of the U.S. House of Representatives urged a direct agreement between the cotton-growing States in the U.S. and the chief producers in other countries. In 1933, suggestions for securing an Agreement between the principal exporting countries for a division of the world's markets for cotton goods were made by Mr. Matsuoka (formerly chief Japanese delegate to the League of Nations) and Mr. Lennox B. Lee (a textile authority). In 1933, the International Cotton Committee, at its Brussels meeting, unanimously adopted a resolution to the effect that, as a first step towards bringing spinning production into conformity with demand, it recommended all the members of affiliated

<sup>1</sup> *The Times*, 5.4.35.

<sup>2</sup> *Ibid.*, 9.4.36.

associations to close their mills for one week at the earliest possible moment during April, 1933. The "holiday" was intended to apply primarily to those producing for export trade. Nine countries were represented at the meeting.<sup>1</sup> At conferences of British, Indian and Japanese cotton delegations in India, in September, 1933, it was agreed that the prevalence of a system of cut-throat competition helped no country and hampered international trading.

*Diamonds.*—An International Diamond Commission restricted production in the industry from January to May, 1931; but then abolished restriction because South Africa would not join the scheme. In June, 1931, it was announced that further negotiations between Belgium, Holland and South Africa had been made possible in regard to the restriction of production. It was hoped that the above decision to abolish restriction might be cancelled.<sup>2</sup>

*Iron.*—The Japanese and Chinese Governments made an Agreement about the Yangtze iron industry.

*Lead.*—In 1929, the chief producers formed a pool controlling about 80 per cent of production of foundries—but not of mines. In 1931, it was stated that production and marketing were loosely controlled by Agreements between the chief producers, relating to curtailment of production and prices. On 20th April, 1931, a combine of producers met in London and agreed unanimously to cut down monthly production 15 per cent below the 1929 output, on account of the fall in prices.

*Maize.*—The Argentine and Rumanian Governments entered into negotiations a year or two ago regarding concerted action on maize prices.

*Meat.*—Suggestions have been made for a British Empire Meat Council co-operating with foreign suppliers on an international basis, continually adjusting supplies

<sup>1</sup> Far-Eastern countries (Japan, China and India) were not represented, but were communicated with.

<sup>2</sup> *The Times*, 4.6.31.

to demand. In London, in April, 1936, the Australian Minister of Commerce said that such a Council, associating with a Meat Conference, could secure an appropriate regulation of the flow of meat into the U.K., ensuring in the general interest the orderly adjustment of supply to demand and such reasonable remuneration to producers as would maintain efficient production.<sup>1</sup>

*Mercury.*—Mercury deposits are only found in and produced by Spain, Italy, U.S.A. and Mexico. Italy and Spain produce 80 per cent of the total and have a monopoly in Europe. The European Mercury (Spanish-Italian) Consortium was formed in 1928 to stop unduly keen competition between Spanish (all State-owned) and Italian concerns, to regulate production in relation to market conditions and to fix and stabilise prices. It was to last for ten years but could be dissolved after six years. It was directed by a Chairman and a Board. Sale was regulated and allotted between the two countries. Home markets were reserved for the respective countries; but, to facilitate the introduction of this regulation, a single joint sales distribution office, at Lausanne, was opened, in 1928. It divided output, giving 55 per cent to Spain and 45 per cent to Italy.

*Nitrates.*—European synthetic producers concluded an agreement with Chilean producers in 1929. In 1930, in Paris, the synthetic producers of Germany, Norway, Belgium, Holland, Italy, Great Britain, Poland and Czechoslovakia, made an agreement with the Chilean industry, to regulate production and consumption in the world market. Only the U.S. and its dependencies (on account of the anti-trust laws) and the district of Columbia were outside the Agreement, which covered 80 per cent of world, and nearly all European output. Production and prices were regulated and markets divided. European producers were bound for one year: each kept his home market and export was regulated by

<sup>1</sup> See Dr Earle Page's address at the London Meat Traders' and Drovers' Benevolent Association annual dinner, London, 6th April, 1936 (*The Times*, 7 4 36).



quotas. Chile accepted price control, but not restriction of output. A fund of £3 million was created, partly to compensate European factories having to close down or accept a much reduced output, and partly to buy nitrogen stocks in independent hands likely to disturb the market. Renewal in 1931 proved impossible, when it expired in June, 1931. In 1932, negotiations at Paris and Lucerne Conferences for a further Agreement failed. Later, at The Hague, it was stated that an Agreement was reached between Chilean and European producers, apportioning the world market between them; and that completion of the Agreements awaited ratification by the separate groups comprising the European Convention and by Chile and also the completion of certain outstanding negotiations.<sup>1</sup>

In July, 1933, a Paris Conference to try and re-form the international cartel, apportion quotas and fix a reasonable price, failed. The International Conference at Paris, in July, 1934, broke up without reaching Agreement on a cartel between Chilean natural producers and British, German and Norwegian synthetic producers. Later, in July, 1934, it was announced that an agreement with the synthetic producers had been reached, fixing quotas for Chilean nitrates on all European markets except Poland, which produces enough for its own use; and that a further Conference would settle details. Eventually the Agreement was entered into for one year, ending on 30th June, 1935. On 9th September, 1935, an Agreement was signed in London ratifying a provisional arrangement made in July, 1935, for continuing for three years (from 1st July, 1935 to 30th June, 1938) the international plan regulating this industry. This Agreement embraced all European producers and the Chilean industry. It provided for the regulation and sharing on approximately the lines adopted hitherto of sales between the signatories in world markets and for the regulation of prices. As before, the plan did not apply to the U.S., which, under the Sherman law, cannot join such international agree-

<sup>1</sup> *The Times*, 4.8.32 and 8.8.32.

ments. Certain modifications in the previous plan were made; for example, giving Chile a slightly increased selling power. Chile also was given the right, under certain conditions, to withdraw at the end of two years.<sup>1</sup>

*Oil.* Some years ago now the various oil companies already had achieved a certain amount of co-operation and rationalisation. Thus the Anglo-Iranian Oil Company had divided with the Royal Dutch Shell the Eastern trade, outside India and China. In marketing, in Great Britain, the Shell, Anglo-Iranian and Standard Oil of New Jersey, which control Anglo-American Oil, its subsidiary, had agreed on selling prices and the number of pump installations and had agreed with the Russian trust, fixing its share of British trade. The American Exporters' Association, of which every American oil company of importance is a member and which fixes prices of exports from America, had agreed also with the Royal Dutch Shell and Anglo-Iranian groups to divide areas in European markets. In 1929, at Chicago, Sir H. Deterding pleaded for international oil co-operation to promote greater rationalisation, preventing wasteful development of oil-fields with "many competing companies, drilling haphazardly in a wild scramble to tap a common oil pool",<sup>2</sup> and with wasteful expenditure on marketing plant often built in excess of the market's capacity.

In 1931, a scheme for international co-operation was proposed by Mr. J. B. A. Kessler, managing director, Royal Dutch Petrol Company.<sup>3</sup> Iran, Colombia, Egypt, Netherlands East Indies (including Sarawak) would guarantee to keep production balanced with consumption. Countries producing less than their own requirements (Argentina, Japan, Germany, India, France, etc.) or countries where production was on the decline (Mexico, Poland, Peru) need not restrict production. For the U.S., Venezuela and Rumania (and Trinidad, if it did not come in the previous group) this scheme

<sup>1</sup> *The Times*, 10.9.35.

<sup>2</sup> *The Economist*, 21.12.29.

<sup>3</sup> *The Times*, 10.10.31, quoted from the *Petroleum Times*.

should apply. Each country would appoint a small Committee to attend an international meeting and declare the minimum amount wanted by that country for production during the coming year. An estimate of world consumption should be made, and then a calculation as to what amount of "declared over-production" there would be for each country. A compensation fund (to make it worth while for producers to conserve production) would be formed by a levy on producers per barrel on all barrels between the estimated world consumption and the declared estimated minimum production (i.e. on the amount of declared over-production). At the end of each quarter the fund would be shared pro rata to countries producing less than the "declared minimum". Oil industries in these three countries would get their respective Governments to prohibit drilling altogether or put a tax on drilling when total production exceeds the "declared minimum production". On 30th October, 1931, Rumanian producers accepted this scheme for a World Agreement. An international Conference of producers was held, in New York, in May, 1932, to stabilise world oil markets. It discussed a proposal that the producers of other countries should buy Russia's exportable surplus for ten years, up to the 1931 limit in any year. The Conference broke down. At a further Conference, at Paris, in June, 1932, between representatives of the Rumanian group and those of the international group a convention (representing 80 per cent of world production) was agreed upon for stabilisation of the market by a reciprocal undertaking to respect the relative export positions of the two groups. Ratification was agreed to in September, 1932. The Russians were not included. Export quotas were fixed, to prevent undue competition. In December, 1932, the U.S., British and Dutch oil producers agreed with the Rumanian producers to limit production of oil for three months, in order to prevent competition, raise prices and improve the market. Export quotas were fixed in relation to demand. A further Conference was

held, in London, in February, 1933, with a view to cutting down oil production. At Paris, the existing Agreement was renewed till 30th June, 1933, on the understanding that the U.S. industry would enforce restriction of output. It embraced 80 per cent of world production (all important British, American, Netherlands and Rumanian producers). U.S. Companies agreed to reduce production; and that of other countries was limited by a quota system. A further Conference was called for 20th June, 1933, but this was postponed. Later the Roumanian Government denounced the Paris Agreement. In October, 1935, representatives of the Standard Oil Company of New Jersey, Royal Dutch Shell Company and the Anglo-Iranian Oil Company conferred in New York on the problem of marketing satisfactorily the output of the Bahrein Islands, in the Persian Gulf. An Agreement which was in sight provided for these groups to buy jointly the Standard Oil Company's output in these Islands, to be allocated to them on an arranged quota basis as regards markets. If successful, negotiations with Russia were envisaged.<sup>1</sup>

*Olives.*—In November, 1934, the International Institute of Agriculture convened a meeting of representatives of olive growers' organisations in France, Italy, Spain and Tunis (with observers from Greek and Turkish organisations), following on resolutions adopted at international growers' congresses based on Agreements concluded at Rome between the Italian and Spanish national federations, on 31st March, 1934. The meeting approved the constitution and rules of a new International Federation to co-ordinate internationally measures to help the industry. A Managing Committee was appointed.

*Opium and Other Dangerous Drugs.*—An account of the control by the League of the trade in opium and other dangerous drugs is given elsewhere in this volume.<sup>2</sup>

*Pepper.*—In February, 1935, Netherlands and Nether-

<sup>1</sup> *The Times*. 19.10.35

<sup>2</sup> See pp. 118-22.

lands East Indies' interests decided to co-operate with British and Danish interests in a gradual liquidation of pepper stocks, to prevent a sudden fall in prices and to enable arrangements to be made for the new crop.

*Platinum.*—In October, 1931, following six months' negotiations, the chief producers in Russia, Canada, South Africa, and Colombia agreed to combine to form a new Company to which practically all their new production would be delivered. The arrangements, it was stated, would not interfere with existing distribution methods as the new Company would market its stocks through existing dealers and distributors. One of the chief functions of the organisation would be to promote the use of platinum through an extensive research and development programme. Another, it was said, though not officially, would be the stabilisation or raising of the price of metal.<sup>1</sup>

*Potash.*—In this case limitation of production was practised in order to increase the industry's profit. Ninety-five per cent of world output was controlled by a Franco-German Agreement, necessitated by the severance of the German monopoly when France acquired the Alsace deposits. Before the war, as in Germany the State had control of the industry, which practically had a world monopoly, international distribution in effect was regulated by the German Government. When Germany lost Alsace she lost this monopoly and world control. Disastrous competition ensued. The French Government controlled 80 per cent of production in Alsace and operated all ceded mines except four, and an official sales syndicate operated all sales, including those of shafts newly opened. The Prussian Government owned some mines and closely controlled the syndicate which regulated private interests.<sup>2</sup> After the war the monopoly became international in character. In 1924, the first Franco-German Agreement concerned

<sup>1</sup> *Manchester Guardian*, 22 10.31.

<sup>2</sup> See the 1919 Law, 1921 and 1924 Decrees, and subsequent Legislation and Decrees.

the American market, fixing the price there, and other prices on a definite basis. Germany was to supply  $67\frac{1}{2}$  per cent and France (Alsace Mines)  $32\frac{1}{2}$  per cent of sales to the U.S. Germany was allotted 35,000 and France 5,000 tons per annum of sulphates of potash. Eventually, in 1926, a Convention was signed between "Deutsches Kalisyndikat" and the "Société commerciale de potasse d'Alsace". Thus two State organisms arranged with one another; for the former was the German State undertaking, and the latter, the organisation for common sales created by the "Mines domaniales de potasse", which, for the French State, operated the three former German groups in Alsace and the "Mines de Kali Ste. Thérèse". Thus two nationalised undertakings controlled world distribution of an essential raw material. The 1926 Agreement allowed each country's producers to have the home market, and France that of her colonies; Germany getting 70 per cent and France 30 per cent of the rest of the world market; although, to cheapen delivery, Germany was to sell to Eastern Europe and France to other definite markets, besides her colonies. Further the Agreement guaranteed France 50 per cent of sales over 840,000 tons of pure potash or, as from the sixth year, 50 per cent of sales above the highest total per annum in either of the first five years. A Joint Control Commission and common selling agencies and publicity organisations abroad were arranged to regulate quotas and prices. The prices of all commodities with any important quantity of potash were to be brought under control.

*Quebracho*.—Practically the only source of the supply of this commodity is the forests in the Chaco district of the Argentine and Paraguay. In 1916, over 70 per cent of producers in these two countries agreed to reduce output. With a year's interval, in 1918, this Agreement was renewed in 1919, and included 70 per cent of producers. The largest Company was appointed selling agent. Minimum prices were guaranteed and output was limited. In 1922, the selling combination's

activity was limited. A new selling pool was formed by the leading Company, which acts as selling agent on a commission basis, in 1926. A Committee controlled production and prices. A maximum output was allotted to each Company. In June, 1926, the pool reduced this allotment total by  $33\frac{1}{3}$  per cent. In 1927, the pool controlled 90 per cent of production. It was still in operation in 1930.

*Rubber.*—The 1918 Rubber Protection Commission (Maxwell) drafted a scheme of compulsory output restriction for Malaya and the Netherlands East Indies and made unsuccessful efforts to get Dutch co-operation. In 1921, the Stevenson Committee, with British Government approval, tried in vain to get the Netherlands Government to co-operate in legislation to limit output. The Stevenson scheme of compulsory regulation of the plantation industry came into operation on 1st November, 1922, and lasted till 1st November, 1928. It aimed at a reduction of output in British Colonies and Dependencies, to be effected by a graded series of export duties. A basic price per pound was fixed as a goal to be aimed at (this was only altered in 1926). The scheme caused a big increase in rubber export from the Netherlands East Indies which were not affected by the scheme, except in so far as certain British Companies with estates in the Netherlands East Indies voluntarily adhered to the scheme. Most of the Netherlands East Indies expansion was in native-grown rubber. In May, 1930, British and Dutch estates applied a voluntary stoppage of tapping for the month of May as the result of the unofficial Anglo-Dutch Liaison Committee, which urged a permanent scheme, enforced by the Governments, of regulation of production, including native production, and of discouragement by the Government of extended plantings. This failed to materialise, because the Dutch Government would not co-operate.

At the Ordinary General Meeting of the Rubber Growers' Association (Incorporated), in London, on 14th May, 1931, Mr. J. G. Hay, Chairman, said:

"The rubber plantation industry is an international industry; its basic price is an international price. Its output can only effectively be controlled by international co-operation." He urged international control, which could be achieved by co-operation between the British and Dutch Governments. In 1931, Sir G. Maxwell put forward proposals for co-operative restriction of exports in British and Dutch territories, together with an export duty scheme for native production in the Dutch East Indies; but Dutch co-operation was not forthcoming. In July, 1931, Sir F. Voules<sup>1</sup> proposed a scheme for a tax, imposed by the British and Dutch Governments on exported rubber, from the proceeds of which a payment should be made to producers who shut down; with provision for an Assessment Committee to fix the amount of reasonable production of each estate, and on which claims for compensation for stopping production could be based. In August, 1931, Mr. C. V. Brayne, Chairman of Rubber Estates Committee, put forward in Ceylon a scheme for co-operation between the Dutch and British Governments for joint action to defeat the ill-effects of laissez-faire, by levying a tax on exports in kind; the rubber taken by the Governments being destroyed or neutralised. This aimed at stabilising prices; it fell through. In March, 1932, four months' negotiations between the British and Dutch Governments, at which a vast number of schemes was canvassed, to regulate production or export, broke down. In December, 1932, Malaya growers petitioned the Government to reopen negotiations with the Dutch and other Governments, for the institution of a scheme of international control along the lines proposed by Sir S. Wilson. In May, 1934,<sup>2</sup> the British and Dutch Governments reached agreement on an international scheme for regulation and control of rubber exports and planting—

<sup>1</sup> Chairman, Kuala Muda Rubber Estates, the Kepong (Malay) Rubber Estates and Gordon (Malaya) Rubber Estates. See *The Times*, 18.7.31.

<sup>2</sup> The scheme was signed by representatives of various countries, on 28th April, 1934. The Governments were to give legislative effect thereto (*The Times*, 30.4.34). See also *The Times*, 15.34, 35.34 and 55.34



the Inter-Governmental Rubber Regulation Agreement, for regulating exports by means of a tax and fixing basic export quotas. The Dutch Government agreed to control native output and adopted for this purpose a plan of individual native restriction instead of control by the export tax. An interesting feature of the scheme was the appointment of an Advisory Committee of rubber manufacturers to serve on a panel designed to ensure the protection of consumers' interests. An International Rubber Regulation Committee, of fourteen members, representing the various territories and appointed by the Governments thereof, was formed to control the scheme. It must fix, from time to time, the percentage of allotted quotas which territories may export. The Agreement invited all Governments except Sarawak and Siam to levy a cess on exports, the process of which to be applied to research to find new and extended uses for rubber. Further planting was prohibited, except for experimental purposes, and only to an extent equivalent to one-quarter of 1 per cent of any territory's existing total planted area. Replanting was limited to the equivalent of 20 per cent of the existing planted area of any one holding. The export of planting material from territories within the scope of the Agreement was prohibited, so as not to encourage planting in territories outside its scope. Producers as well as dealers must keep stocks to the normal percentage of their overturn. Representatives of rubber manufacturers in Europe and America were to be invited to nominate a panel which, from time to time, would give the International Committee advice on stocks, exportable percentage and cognate matters likely to affect rubber manufacturers' interests. Such a Committee of three was formed. The scheme was to run from 1st June, 1934, till 31st December, 1938. The following countries, embracing 98 per cent of world production, participated in it: Malaya, Netherlands Indies, Ceylon, British India, Burma, French Indo-China, North Borneo, Sarawak and Siam. All growing areas in the world

except the Amazon Valley and a few small areas in Africa were included. The International Committee would make a recommendation regarding the continuation of the scheme before December, 1938. The aim was to regulate production and export of rubber in and from producing countries with the object of reducing existing world stocks to a normal figure and adjusting in an orderly manner supply to demand and maintaining a fair and equitable price level, reasonably remunerative to efficient producers. The Siamese Assembly refused ratification, so the scheme was inoperative in Siam for the time being.

In applying the scheme locally the plan adopted has been to assess the productive capacity of each producer and for the customs' service to keep the export within the authorised limit, except in the Netherlands Indies, where that could not be applied to native producers, for whom restriction by an export tax was practised.

The International Rubber Regulation Committee, so that exports should be reduced gradually, fixed the export at 100 per cent of standard quota for June and July, 90 per cent for August and September, 80 per cent for October and November, and 70 per cent for December, 1934. For the first quarter of 1935, it was fixed at 75 per cent and soon afterwards at 70 per cent; and for the second quarter and the rest of the year at 65 per cent. In October, 1935, it was fixed at 60 per cent for the final quarter of the year.

On 2nd May, 1934, it was announced that the control of stocks would be as follows. Legislation would prohibit, under penalty, any planter, at any time, holding stocks above 20 per cent of the quantity produced, and removed from his estate during the preceding year. Alternatively his stock must not exceed the equivalent of twice the amount which he is entitled to export during any month. Each Government would limit the total of all other stocks held in its territory so that they should not exceed  $12\frac{1}{2}$  per cent of its permissible exportable amount for each control year (Sarawak and Siam—whose

production represents only 4 per cent of the total—were excepted from these particular provisions; but they were called upon to limit stocks to normal proportions, having regard to the object of regulation). The Dutch Government, in 1934, decided to introduce gradually for native rubber, individual restriction in certain cases in place of an export duty. This was expected to come into force by January, 1937, at the latest. In January, 1935, the International Rubber Regulation Committee decided to issue a monthly bulletin of statistics, beginning in February, 1935. In April, 1935, the Siamese Government approved a new basic output quota after negotiations with the Committee. In December, 1935, the Committee advised signatory Governments to increase the quota for the Dutch East Indies, for 1936–8, to facilitate regulation of native-owned rubber and administration of the scheme there.

*Silver.*—On 22nd July, 1933, a Memorandum of Agreement<sup>1</sup> was signed by delegates to the Monetary and Economic Conference representing India, China and Spain (holders of large stocks or users of silver) and Australia, Canada, U.S., Mexico and Peru (the chief producers of silver). For four years from 1st January, 1934, the Governments of the former countries agreed to limit sale from monetary stocks and the latter countries by absorption to purchase or withdraw from the commercial market an equal amount of the metal, to be used for currency purposes. The aim was to stabilise prices at a higher level.<sup>2</sup> The Agreement was subject to ratification by 1st January, 1934.

*Sisal.*—In December, 1931, sisal growers from France, Germany, Holland, Mexico, Portuguese East Africa, Kenya, Tanganyika and Great Britain met in London to consider means of co-operation and, if possible, appoint a representative committee. In 1934, proposals

<sup>1</sup> *The Times*, 24 7 33

<sup>2</sup> Bolivia was the only principal producing country the Government of which refused to sign the agreement, but the other countries engaged to absorb it among them.

for a restriction scheme were put forward.<sup>1</sup> The International Fibre Committee met in September, 1934, to consider such an international plan to restrict production of hard fibres. The matter was referred back to producing interests in the various countries.

*Steel.*—The International Rail Makers Association was formed in 1926, by Belgian, British, German, French and Luxemburg producers. Austrian, Hungarian and Czechoslovak producers joined it in 1927. In 1929, a new six years' Agreement was concluded with the participation of the chief U.S. producers, grouped in the Steel Export Association. It was formed to regulate the export of rails and has a supervising Committee of Directors, which fixes prices, and a London Committee, which centralises orders and distributes them among groups. Home markets of signatories are not covered.

In 1926, the International Steel Agreement was signed, including Belgian, French, German, Saar and Luxemburg steel producers. In 1927, Austrian, Hungarian and Czechoslovakian producers joined it. The Agreement expired in 1930. This formed the basis of all Agreements concluded for production and sale of certain steel products. Thus, in 1926, a German and Franco-Luxemburg Agreement was concluded in agreement with it and formed part of the steel pact: metallurgists in these three countries signed a convention regulating export of Lorraine and Luxemburg steel into Germany. In addition to this International Agreement there were others made, generally relating to a specified product, e.g. the Machine Wire Agreement, the International Tubes Agreement, and the International Agency for the Sale of Cast Iron in Belgium. The cartel was extended to 30th June, 1931; and, in 1933, it was agreed to extend it for five years.

The International Steel Agreement is a gentleman's agreement regulating production of raw steel in the

<sup>1</sup> The chief growing countries are British East African territories, Mexico, the Philippines, New Zealand, St Helena and Netherlands East Indies

signatory countries with a view to adjusting production to consumption requirements. A Committee of Directors control a tonnage programme of production for national groups, allocating to them a quota. Exports of certain groups are limited. The Agreement does not organise sales or fix prices of metallurgical products. Output is supervised by Swiss trustees; and there is provision for arbitration. In 1930, a temporary Agreement was concluded between Belgian, French, German and Luxemburg producers organising sales and prices of certain steel products; and another temporary price Agreement was concluded between the Czechoslovak, Austrian and Hungarian groups. The aim was to form international sales agencies and to ensure that national sales agencies should operate on parallel lines and subject to uniform regulations.

In May, 1933, Germany, France, Belgium, Luxemburg and the Saar signed agreements for forming six selling offices in the international cartel (for "semis," girders, bar iron, universal iron, coarse and medium plate). They also were reported to have agreed on a renewal of the selling offices on which the existence of the steel export association depends, for five years from 1st June, 1933. On 31st July, 1935, representatives of the International Steel Cartel (France, Germany, Belgium, Luxemburg and Poland) and of the British Iron and Steel Federation, signed an Agreement on the regulation and development of the exports markets in steel and the protection of their home markets. It will last for five years, from August, 1935, with an optional break after three years. A provisional Agreement for bringing the British industry into the cartel had operated from 8th May to 7th August, 1935. Total annual imports into the U.K. from cartel countries were fixed at a maximum figure, reduced after the first year. As compensation for the excess imports in 1935-6, over the following years, it was stipulated that Great Britain should be allocated two-thirds of any total exports in 1935-6 in excess of the 1934 total, up to a maximum

equal to the above difference in British imports allowed in 1935-6 and subsequent years. Total imports to the U.K. were distributed among various products by agreement. Agreement was provided for regarding the allocation of export tonnage among the various countries and sections—and failing such agreement by the end of 1935 the main and subsidiary agreements could be terminated by either party on six months' notice. The parties to the above Agreement—which was also subject to a reduction of import duties on the products covered by it and to the working out of an effective method of controlling imports under such conditions—decided to operate the Agreement from 8th August, 1935, pending the completion of this machinery and organisation. A Co-ordinating Committee was formed to ensure the proper execution of the Agreement and for general supervision of the sectional Agreements, and their proper relation to the general policy. Provision was made for arbitration—ultimately, if necessary, with reference to an umpire appointed by the International Chamber of Commerce.<sup>1</sup> A meeting of the limited Managing Committee of the cartel, at Brussels, in October, 1935, considered matters relating to the international selling office. Quotas were fixed for categories of products not previously included in the system. Consideration was given to the organisation of the British market, to a licensing bureau to be set up in London, and to the formation of a cartel for fine and galvanised sheets, demanded by the British representatives, to be arranged before the end of 1935. On 5th February, 1936, a five-year Agreement for stabilising prices and controlling South African imports, was signed by the South African Iron and Steel Corporation of Pretoria (representing South African iron and steel producers), the International Iron and Steel Cartel and the British Iron and Steel Federation. South African producers were guaranteed as much of their home market as they could supply, while importation of the balance was to be

<sup>1</sup> *The Times*, 2.8.35.

regulated by the British Federation and the cartel so as to ensure the most suitable source of supply.

The Continental Tube Cartel was founded in 1926, for a period up to 1940. It included the German, Belgian, French, Czechoslovakian, Polish and Hungarian Tube Companies; and, later, was extended to the International Tube Cartel including English, Canadian, American, Swedish and Japanese tube works. The International Cartel was said to lapse automatically. The failure came in February, 1935, in connection with quota questions arising out of the Saar's reincorporation in Germany. In October, 1933, an arrangement had been made with Japanese manufacturers regarding markets in the Far East and binding Japan regarding the amounts (fixed by quota) and prices of her tube exports. A meeting at Vienna, on 14th November, 1935, failed to agree upon a renewal of the cartel. The International Tinplate Cartel was formed to operate from 1st July, 1934, for three years; and the original participating countries were the U.K., the U.S., Germany, France and the Saar. Since the start of 1935, Italy was brought within its scope. The cartel aimed at regulating distribution by quotas and improvement of the export price level. Administration was put in the hands of a Management Committee and of a London Committee. Quotas were modified when the Saar returned to Germany, early in 1935.

*Sugar.*—Having introduced restriction of the sugar crop in Cuba, in November, 1927, the Cuban President sent a representative to Paris to confer with representatives of Czechoslovakian, German and Polish sugar industries; and it was decided to form an International Sugar Committee of two delegates from the sugar industries of each of these countries and other countries joining the Committee later, in order to regulate world production and consumption. A draft plan provided that the three European countries should try to increase consumption in 1927-8 and should regulate 1928-9 sowings, provided that Cuba regulated its 1927-8 crop

to a given figure. Surplus production was to be given to an international Council or be subtracted from a country's 1929-30 quotas; and any deficit in a country's production was to be added to the others' shares. A further Conference was fixed for October, 1928. The Cuban delegate, however, did not succeed in getting an Agreement with the Javan industry in Amsterdam. The Paris Convention ratified, Poland, Germany and Czechoslovakia held a further meeting, at Prague, in December, 1927 and, in January, 1928, signed an Agreement, in Berlin, fixing the joint export total for 1928-9 for these three countries. Various talks were held in Brussels and the Philippines in June, 1929. In 1930, Cuban producers agreed with the U.S. beet sugar producers—with Hawaii, the Philippines, Porto Rico and Louisiana, whereby Cuba limited its exports to the U.S. in 1931-5 and U.S. producers limited their output. Regarding sugar markets elsewhere than in the U.S., Cuba, backed by a Presidential Decree, offered to control, through a National Sugar Export Corporation, a certain quantity of sugar per annum for five years, to be bought from Cuban producers at a fixed rate. Java and Cuba agreed on restriction and went to Brussels to ask the five European countries with a net export (Czechoslovakia, Poland, Germany, Hungary and Belgium) to limit their combined export. An Agreement was reached—but Russia and some South and Central American countries were omitted. In October, 1930, in accordance with the "Chadbourne" plan, Cuba made an initial move in agreeing to withhold a certain amount of sugar from the world market. Cuba formed the National Sugar Export Corporation, on 20th November, 1930, to work under the Chadbourne plan, for segregating the carry-over in the hands of one organisation. In December, 1930, provisional Agreements were made at Amsterdam, in connection with the plan, by Cuba and Java, to restrict supplies for five years (i.e. to limit exports and hold back old stock). The problem of quotas for European beet sugar producers presented



difficulties; but agreement was reached on 8th December, 1930. It was hoped that this would be the prelude to a wider International Agreement. At the Brussels Conference, held for this purpose, with German, Belgian, Hungarian, Dutch (Java), Polish, Czechoslovakian, American and Cuban delegations participating, Mr. Chadbourne urged the stopping of surpluses and the application of measures of restriction. He proposed the formation of a statistics committee to establish world figures of production and surplus stocks, and a further committee to consider ways of reducing stocks. He also urged the formation of a permanent Commission of producers from the various countries, to meet quarterly, supervise Agreements made by the Conference and study means of increasing consumption and create a joint fund therefor. Eventually, in January, 1931, an Agreement was reached, the Germans being conciliated at Berlin, for a five-year plan for export quotas, reducing their annual production. An appeal was made to Peru and Santo Domingo, the only other important exporting nations, to enter the scheme. Great Britain, though not an exporting country, was urged to refrain from an increase in production at a moment when exporting countries had agreed to curtail production, in the interest of stabilisation. Negotiations were entered into with Russia (which exported, to raise money) and with Japan. The plan's main feature was that the unsold surplus would be carried by the exporting countries and financed for five years, one-fifth to be sold each year and to be made part of the export quota. No Agreement was made regarding price. The final Agreement was signed by Cuba, Java, Czechoslovakia, Germany, Poland, Hungary and Belgium, at Brussels, on 9th May, 1931, the plan to operate till 1st September, 1935. It was emphasised that the object was not to limit production but to regulate exports and limit stocks, to bring these into equilibrium. A Committee, the International Sugar Council, was appointed to supervise the execution of the convention. Peru, Santo Domingo and Russia

remained outside it. This Council was to appoint a Board of Arbitration. In October, 1932, the Peruvian Government adhered to the Agreement and, in February, 1933, Yugoslavia.

In a Sub-Committee of the Economic Commission of the Monetary and Economic Conference the Cuban delegation proposed a draft convention, for stabilising world production, to balance supply and demand and to yield adequate prices, by which the signatories would agree, for ten years: not to build new sugar factories, not to increase the effective productive capacity of any existing factories, not to rebuild totally or partially dismantled factories which had ceased to be units of production and not to grant new subsidies for production or export of sugar. The U.K. Government delegate said that his Government would be willing to limit home-grown subsidised sugar, if it were understood that limitation did not mean reduction. He would support the idea of a working committee to study the plan, though his Government could not support it, as it not only limited the amount produced but also said that there should be no further factories. It was made clear that unless wider support were forthcoming the Chadbourne plan could not continue. Cuba emphasised that although she was responsible for about 40 per cent of world sugar exports she found, in 1927 and 1928, that it was useless to act by way of restriction alone. A Sub-Committee on Co-ordination of Production and Marketing of the Economic Commission of the Monetary and Economic Conference urged the Bureau of the Conference to keep in touch with the International Sugar Council and with the countries concerned, and to call another meeting when thought desirable, in order to induce a general agreement.

At a Brussels Conference, in July, 1934, signatories to the Chadbourne plan tried to extend it to other countries, particularly Great Britain and the U.S.—but without success. At a further Brussels Conference, in January, 1935, it was recommended that a Conference

of all countries interested in sugar cultivation be called to discuss the situation. The eleventh meeting of the International Sugar Council, at Brussels, 5th and 6th August, 1935, decided, owing to the increase in production in certain non-signatory countries, that it was impossible to prolong the Agreement beyond 1st September, 1935. Unanimously it asked the British Government to convene a world sugar conference as soon as possible, to enable Governments to put the market on a healthy basis. It was left undecided whether the Council should continue to function. In announcing, on 30th July, 1935, the British Government's policy regarding the sugar subsidy, which was coupled with a scheme of reorganisation, the Minister of Agriculture said that the Government believed that producing countries could put their industries on an economic basis only by international agreement for adjusting supplies to the market; and that the Government intended to invite the exporting Dominions and the Colonies to examine with it the possibility of a joint effort to reopen international negotiations if there were a reasonable prospect of success.<sup>1</sup>

The Queensland Premier stated, in London, on 30th January, 1936, that March, 1936, was suggested as the date of the Conference which the British Government had been asked to call. Failing this, Empire sugar-producing countries would meet very probably in the near future. He envisaged a solution not by limiting production to solvent demands but by increasing the solvent consuming capacity of all peoples.<sup>2</sup> At the beginning of February, 1936, British and Netherlands Government representatives met at The Hague to consider the possibility of reaching an agreement if an

<sup>1</sup> In a letter to *The Times*, 10 8 35, Lord Olivier, in condemning the Chadbourne plan, urged the consolidation of the home and Colonial market by placing all marketing under a single public authority, and stabilisation of prices to the producer at a rational economic minimum.

<sup>2</sup> *The Times*, 31.1.36. In London sugar circles, in February, 1936, it was stated that the U.S. sugar situation had led the Colonial Office to delay issuing invitations to the chief producing and consuming countries.

International Conference were called: their views were sent to the various Governments.

*Sulphite Pulp.*—At a Conference at Malmo, in October, 1930, manufacturers from Sweden, Norway, Finland, Czechoslovakia and Memel agreed to reduce production by 15 per cent, to reduce stocks.

*Sulphur.*—In 1923, Italian and U.S. producers syndicated: the U.S. Sulphur Exporters' Association and the Sicilian interests agreed to control world exports. The syndicate was renewed later—and still operated in 1930.

*Tea.*—In 1921, producers voluntarily restricted output. In 1930, Associations representing producers in India, Ceylon, Java, and Sumatra agreed to limit outputs for one year, to allow absorption of surplus stocks. Agreement for a renewal of limitation in 1931 could not be reached. In India, in 1933, a voluntary Agreement, representing about 93 per cent of growers, restricted the crop to prevent international over-supply. In December, 1932, a Ceylon restriction scheme was put forward suggesting: regulation of tea to restore equilibrium between supply and demand; Government prohibition of exports above agreed quotas; standard regulation should be based on maximum exports in 1929, 1930 and 1931; 85 per cent to be the standard for export in the first year; a five-year Agreement; and a provision against extending existing tea areas, as a condition of issue of exporting licences by the Government, which also should not lease or sell further areas for cultivation and should not permit the substitution of tea on land at present bearing other products. The Dutch East Indies' growers accepted this, but would have preferred restriction of production. This scheme was made operative by Governments covering the Dutch East Indies, North and South India, Ceylon and Java, as from 1st July, 1933. The amount of tea that could be exported under the scheme was fixed by the International Tea Committee, with its office in London. The scheme, in addition to providing for prohibition of fresh planting, prohibited export of tea seed. For 1934, the exportable quota was fixed at

87½ per cent of the standard crop. In 1934, the Committee urged the inclusion in the scheme of tea-producing countries outside it. In May, 1934, the President of the Ceylon Association, in London, urged that restriction of production was not enough, and should be accompanied by the formation of an International Committee to deal with all problems of the industry, specialising on the stimulation of demand. In July, 1934, the International Committee urged that the planted area should not be allowed to expand to any considerable extent, and that the control scheme should be extended beyond 1938, if the industry were to prosper. Large areas of young tea would come into bearing during the period of regulation and failing expanded markets these could only be offset by decreasing that from old-established areas—which would create difficult inequalities. It also urged the adhesion of other producing countries to the scheme, in order to extend the area in which planting areas were restricted. In August, 1934, the Governments of Kenya, Uganda, the Tanganyika territory and Nyasaland agreed to limit the area of new planting of tea, and to prohibit export of tea-seed during the period of the control scheme—which latter was included in the scheme itself. The export quota was fixed at 85 per cent of standard export for the first year (1933-4), 87½ per cent for the second year (1934-5) and 82½ per cent for the year starting 1st April, 1935. Negotiations have been undertaken with other tea-producing countries with a view to their inclusion in the scheme. Countries outside the scheme, like China and Formosa, have increased output; and their co-operation is essential to the continuation of the scheme after 1938. Towards the end of 1935, an International Tea Market Expansion Board was formed, to accelerate world consumption till it overtakes potential production, acting on behalf of the three main producing countries, Dutch East Indies, Ceylon and India, which have made control of exports statutory. A corollary of regulation of exports by International Agreement must be the elimination of wasteful,

competitive propaganda in markets. The quota for 1936-7 was fixed at 82½ per cent.

*Timber.*—In Sweden and Finland, in 1930, producers decided to reduce production for 1931. Elsewhere in this volume<sup>1</sup> will be found an account of efforts made within the League to promote international regulation of trade in this commodity. Experts consulted by the League generally favoured international regulation of exports. French experts proposed the formation of an international timber office to regulate trade. The co-operation of importing or consuming countries was sought; and it was suggested that consumption needs should be estimated.<sup>2</sup> At a Vienna Conference, in 1932, six European countries, Austria, Czechoslovakia, Finland, Poland, Rumania and Yugoslavia decided to form a Central Timber Bureau. The question of timber came before a Sub-Committee on Co-ordination of Production and Marketing of the Economic Commission of the Monetary and Economic Conference, which adjourned till October, 1933, its consideration of the problem pending negotiations in progress. Conferences at Copenhagen, between June and December, 1935, of eight European exporting countries, led to an agreement to reduce exports of softwoods to meet estimated demand, by 5 per cent during 1936, to stop a further fall in prices. A later Berlin Conference, in December, 1935, attempted to reach agreement on the fixing of prices. A Sub-Committee on Timber Statistics of the League Committee of Statistical Experts met in October, 1935, to seek a rationalisation of statistics on the production of and international trade in timber—in accordance with a decision of the Monetary and Economic Conference. It decided that this was a task for the International Institute of Agriculture.

*Tin.*—The problem of tin, like that of rubber, for a time was solved by joint action of two interested States.

<sup>1</sup> See p. 50.

<sup>2</sup> See also *The Timber Problem*, a Report of the consultation with timber experts, published by the League of Nations.

In 1921, the Federated Malay States Government and the "Straits Trading Company", and the Government of the Dutch East Indies made an agreement, whereby it was decided not to put on the market a stock of 19,550 tons of tin which weighed heavily on prices, but to introduce it gradually and only after the price again had passed the figure of £200. At a meeting in London, in November, 1929, the British Tin Producers' Association decided upon a restriction scheme—not to restrict extraction of ore, and not to apply to all producers, but only to provide for a reserve to be kept by foundries and refineries from ore obtained. In 1929, the Nigerian Advisory Council of the Tin Producers' Association unanimously advised its members to conserve their production for the first quarter of 1930 by 20 per cent; and the bulk of Nigerian producers did so. Then a voluntary output restriction scheme was in force in the industry, encouraged by the Tin Producers' Association. In 1930,<sup>1</sup> a plan for re-enforcing it by more comprehensive, more binding and durable arrangements was put forward by the Dutch East Indies and Bolivian Governments. The Malay Government hesitated to approve the scheme after the other Governments had done so. Following approval by its producers, it wanted control to cover production as well as export, starting from 1st March, 1931, which suggestions were accepted by the other Governments. This international scheme was arranged "to secure a fair and reasonable equilibrium between production and consumption, with the view of preventing repeated and severe oscillations of prices". It was made by the Governments of Malaya, Dutch East Indies, Bolivia and Nigeria for two years as from 1st March, 1931; and covered 90 per cent of world output. Burma and Siam stated their intention of joining the scheme, which provided for fixing an annual basic world tonnage, and production quotas for the signatory States. Each Government agreed to allot its

<sup>1</sup> In 1930, producers in British territory and in Siam also agreed to suspend production for two to three months, or longer.

national quota among individual producers and to control effectively, in accordance with the scheme, production and export. The Agreement provided for control of the working of the scheme by an International Tin Committee representing the four Governments, in order, it was said, to protect consumers' interests against any excessive rise in price. Siam adhered to the scheme as from 1st September, 1931, bringing the total world production under this governmental control up to 92 per cent of the world's total resources. Cornwall, Australia and Indo-China were the main sources of supplies then outside the scheme. In August, 1931, the Governments in this scheme agreed to form an International Tin Pool, to work in close conjunction with the International Tin Committee; the latter's Chairman to be, *ex officio*, the Chairman of the Pool's Committee of Control. This Pool was to acquire certain amounts of tin, hold it off the market and release it (up to a certain point) in accordance with a sliding scale of prices accepted by the Governments' signatories to the scheme. These Governments gave guarantees for the scheme's continuation till 28th February, 1933, and (if the Pool had not been liquidated) to extend the International Tin Quota Agreement for a period up to three years from 12th August, 1931, when the Tin Pool was formed. In May, 1932, the Tin Producers' Association unanimously accepted a scheme for submission to all participating Governments, providing for reduction of the international quota of production to 40 per cent of standard, suspension of production in June and July, 1932, and an increase in the minimum release price of the Pool sales, and the relating of the percentage of standard production for the quota to the price of tin. In July, 1932, the International Tin Committee, with the approval of the Governments concerned, accepted the Byrne scheme of restrictions, of which the main features were: (1) production in July and August, 1932, either was to cease, or be held up under control in countries where ore was produced, or ordinarily smelted for these two months; (2) thereafter



ore or metal so controlled was released at the rate of 10 per cent per month for ten months; (3) lower aggregate quotas fixed were only one-third of the 1929 production. In 1933, a modified form of the Byrne scheme operated. Countries' production quota was restricted to 25-35 per cent of standard production. At a meeting, at The Hague, in October, 1933, agreement was reached for a new restriction of production. A decision regarding a continuation of restriction was to be made known at the Tin Committee's meeting on 26th October, 1933. In December, 1933, the International Committee raised the production quota from  $33\frac{1}{2}$  per cent to 40 per cent of standard (1929) production for January-March, 1934.

The International Tin Committee submitted a memorandum to Governments of all tin-producing countries at the Monetary and Economic Conference in 1933, asking for a much wider and stricter application of the International Control Agreement; and urging them to secure adhesion to the scheme of non-participating countries (U.K., Burma, Australia, South Africa, Belgian Congo, Portugal, Mexico, Japan, China and French Indo-China). It was stated that a new clause in the International Agreement allowed participating countries to withdraw after six months' notice if for six consecutive months the combined production of non-participating countries exceeded 25 per cent of world output. The Committee also stated that the Tin Pool was being liquidated; and, in its present form, would terminate by August, 1934; but negotiations were in progress for its extension for another three years from that date. The Pool was liquidated actually at the end of 1933.

A Sub-Committee on Co-ordination of Production and Marketing of the Economic Commission of the Monetary and Economic Conference recommended countries not members of the International Tin Committee to enter into negotiations with that body. A new Agreement became effective at the beginning of 1934 and provided for an extension for three years of the Inter-

national Agreement between the Malay States, Netherlands Indies, Nigeria, Bolivia and Siam—for quantitative control of exports. It tightened up the original scheme and incorporated certain improvements. Meeting in London, on 5th April, 1934, the International Tin Committee recommended to signatory Governments that as soon as possible a buffer stock should be created, in the interest alike of consumers and producers, as a means of discouraging speculation and preventing undesirable price fluctuations not based on any major change in the industry's statistical position. Agreement in principle on the buffer Tin Pool plan was reached at a Paris meeting of the International Committee in May, 1934. At the Committee's meeting at The Hague, on 10th July, 1934, it was announced that the Belgian Government was represented on the Committee and that French Indo-China and the Belgian Congo, Portugal and Cornwall had adhered to the international control scheme, on a flat-rate basis. The buffer stock scheme was signed. In August, 1934, the Committee decided that an advisory panel representing the chief consuming countries should be invited to attend its meetings at which subjects directly concerning these countries were discussed. The participating Governments agreed thereto. The U.S.A. and the U.K., as the largest consumers, were to be represented thereon. Consumers' representatives attended for the first time at the Paris meeting, on 22nd November, 1934. An International Tin Research and Development Council has been created, to guide the use of a fund whereby the industry has provided, by means of a Government-aided cess, a large endowment for scientific research, with a view to finding new avenues of consumption. This Council has organised a service for consuming industries. After a meeting in Brussels, on 11th September, 1935, of the International Committee, it seemed likely that the restriction scheme would continue when the present Agreement expired at the end of 1936. Under this Agreement proposals for extension must be considered at least twelve months

before the date of expiry; but a decision of continuation need not be reached before that date. The quota had been fixed at 50 per cent of standard tonnages for July, 1935; and was raised to 65 per cent in August, at Paris. At this meeting the International Committee agreed to recommend to the Governments that it be fixed at 65 per cent for October–December, 1935. The Committee stated that, as usual, discussion about the employment of the buffer Pool would be continued in secret, with no disclosure of information to the press;<sup>1</sup> but it was generally supposed that the Pool had been liquidated.<sup>2</sup> On 3rd October, the quota was raised to 70 per cent, on 22nd October, to 80, on 6th December, to 90 and on 19th February, 1936, it was reduced to 85 per cent.

*Tobacco.*—In 1930, negotiations were undertaken to form an international cartel involving Turkey, Greece and Bulgaria, in order to protect the market in high quality tobacco and prevent over-production of ordinary grades largely grown in Bulgaria. Following a recommendation made at the Second Balkan Conference, at Constantinople, in October, 1931, at a Conference at Constantinople, between these three producing countries, to discuss export and marketing of tobacco, they decided to set up, at Constantinople, a permanent tobacco office to protect common interests and to seek co-operation to overcome the evils of over-production. Further Conferences were to follow, representing the Ministries and Chambers of Commerce of these countries. In May, 1935, a Conference of representatives of this industry from Southern and Northern Rhodesia and Nyasaland prepared for the Imperial Economic Committee a memorandum on the marketing and future of Empire tobacco in Great Britain. It urged: that all Empire producing countries should agree on legislative powers to be taken to regulate annually their exports to established markets in Great Britain—the Governments of Southern Rhodesia and Nyasaland had announced,

<sup>1</sup> *The Times*, 12.9.35.

<sup>2</sup> *Ibid.*, 13.9.35.

already, their intention to adopt such legislation; that the U.K. Government should be asked to introduce legislation whereby the total withdrawal from bond of foreign tobacco for consumption in Great Britain should be restricted annually to 95 per cent of the previous year's withdrawal, i.e. giving a compulsory, diminishing quota of foreign (i.e. American) tobacco and an increasing quota of Empire tobacco; and that profits allowed to retailers from selling Empire tobacco should be brought into line with those accruing from the sale of foreign tobacco.<sup>1</sup>

*Whale Oil.*—In August, 1932, it was stated that, at a meeting of the Whaling Companies' Association, in Oslo, a Sales Agreement was reached between all Norwegian and foreign producers of Antarctic whale oil with one exception. In July, 1934, it was stated that, for the past two seasons, all whalers, British and foreign (with two exceptions—a small Norwegian and an important English Company), had accepted a voluntary restriction scheme, limiting the season in which the whales were caught in the Antarctic and the numbers. The Norwegian Government regulations for the next season, it was stated, provided that no Norwegian whaling company could begin operations in the Antarctic before 1st December, when the average production of oil per whale (based on the previous season's results) was 20 per cent higher than at the start of the season, in October.

*Wheat, Other Cereals, Fruit, Dairy and other Primary Produce.*—Elsewhere in this volume<sup>2</sup> is given some account of the efforts that Central and South-Eastern European countries have made to promote joint, co-operative action in marketing agricultural produce. Since 1930 numerous Conferences have been held and various forms of organisation instituted or proposed with a view to making these countries act collectively as

<sup>1</sup> Retailers now are on a percentage basis; so that as Empire tobacco sells cheaper than foreign, profits are smaller, and there is no inducement to push Empire tobacco

<sup>2</sup> See pp. 72–8.

one agricultural organisation. Take, for example, the negotiations between certain European agricultural countries in 1930, resulting in the formation of international pools for the sale of wheat, maize and oats by Rumania, Yugoslavia, Hungary, Poland and Bulgaria, to operate by 1st July, 1931. Arrangements were made for a kind of agricultural produce cartel, between Yugoslavia and Rumania, to handle joint agricultural produce exported, such as wheat, maize, cattle and pigs. These countries set up in each State a "Union for Agrarian Co-operatives", as the central organ for gathering surplus produce for export, so that co-operation could occur through them. Poland took the lead in trying to organise and rationalise agricultural production by forming international cartels, coupled with national specialisation in certain branches of agriculture. Reference also is made elsewhere<sup>1</sup> to efforts made by the League, through the Commission of Inquiry for European Union, to promote co-operative marketing of surplus stocks of wheat in Central Europe, and to establish international agricultural credit institutions.

An International Wheat Conference, in Rome, in March, 1931, was called to discuss international regulation of cereals production, international agricultural credits and regulation of trade in wheat. A plan for limiting and regulating acreage was rejected. Canada suggested that representatives of wheat-exporting countries should meet at once<sup>2</sup> to organise export of the 1931-2 wheat crop and to dispose of existing stocks; and such a conference was envisaged within three months. Russia urged that representatives of importing countries should be admitted. This conference, of eleven countries, was held, in London, on 19th May, 1931; but agreement could not be reached. The U.S. Government wanted to reduce areas sown, while Russia wanted

<sup>1</sup> See pp. 67-71. Refer also to pp. 78-80.

<sup>2</sup> These countries were the Argentine, Australia, Bulgaria, Canada, Hungary, India, Poland, U.S.S.R., Rumania and Yugoslavia. The U.S. Government was to be invited to participate.

regulation of exports<sup>1</sup> on the basis of the amount exported in pre-war years. A Committee was appointed to continue the discussions and to formulate proposals for a clearing house for information and service, which proposal was recommended to the various Governments. An inter-State Conference of wheat growers in Australia urged this Conference to create an international marketing organisation representing all exporting countries to control all wheat offered for export sale, to allot quotas to the producing countries. The Polish delegation urged the creation of an organisation for marketing world wheat and flour; countries present to agree not to authorise in 1931-2 export of wheat or wheat flour except within a quota to be fixed for each country. It wanted the international wheat organisation, with its headquarters in London, to keep a reserve of one million tons. The organisation would establish special funds to facilitate utilisation of stocks causing a glut in the market.

The Preparatory Committee of the Monetary and Economic Conference suggested that the wheat problem might be handled either by regulating exports or by limiting production. About the same time the agricultural experts consulted by the League Economic Committee concluded that only international action could solve the problem, along such main lines as: limitation of production and possibly exports; liquidation of stocks and maintenance of a reasonable market in European importing countries. The idea that nations must agree to control the vast international trade in this commodity clearly was growing rapidly. The experts who met at Geneva in May, 1933, put forward to the four chief exporting countries a plan for marketing future wheat surpluses: segregation into a world pool of all existing surplus stocks, to be managed by a Board of experts and removed entirely from local, national or political vested interests; owners relinquishing all rights to the wheat and being paid (less Pool expenses) as their wheat

<sup>1</sup> All countries except the U.S. would have accepted an export quota plan.

was sold. At the Monetary and Economic Conference, Mr. Bennett (Canadian Premier) said that the problem could be dealt with effectively only by International Agreement and with the support of consuming countries. Under the wing of this Conference, at a meeting of representatives of thirty wheat exporting and importing countries, in London, the four chief exporting countries (U.S., Canada, the Argentine, and Australia) decided, on 25th August, 1933, to accept restrictions on the amount of their exports in 1933-4 and 1934-5; and Russia and the Danubian countries agreed to limit exports to agreed figures—quotas being allotted to the various countries; and an Advisory Committee, representing both exporting and importing countries, was set up to supervise the execution of the plan. Importing countries, in effect, agreed at the same time to limit acreage. The aim was to improve the price of wheat. At Budapesth, in November, 1934, the Advisory Committee registered an agreement, in principle, to extend the Agreement for two years, from 31st July, 1935. At the London meeting on 5th March, 1935, the Advisory Committee could not register a final basis of approval for the continuation of the Agreement; but it decided to report certain suggestions for modification to the Governments; and unanimously agreed to recommend to the Governments that the Advisory Committee should continue its work till 31st July, 1936. At its May, 1935, meeting this Committee sent to Governments a draft of a proposed new three-year Agreement.

A Sub-Committee on Co-ordination of Production and Marketing of the Economic Commission of the Monetary and Economic Conference asked the International Institute of Agriculture to study, in co-operation with the International Agricultural Commission, the International Dairy Federation and the League Economic Committee, the problem of production and marketing of dairy produce.

*Wine.*—A Sub-Committee on Co-ordination of Production and Marketing of the Economic Commission

of the Monetary and Economic Conference instructed the International Wine Office to follow, in conjunction with the League Economic Committee and the International Institute of Agriculture, the points of the plan drawn up by the Sub-Committee.<sup>1</sup>

*Wool.*—At the 1931 International Wool Conference in Basle, the President of the International Wool Federation urged the necessity of organising the industry to stop over-production. At the 1932 Conference, at The Hague, a member suggested the possibility of international adjustment of wool textile production and consumption and urged each national industry, as a basis, to compile and supply full facts as to production capacity, plant and staff, output for a given period and information about home consumption. At the Imperial Wool Conference in Melbourne, in June, 1931, at which a joint selling policy and co-operation in marketing were discussed, a proposal was made for stabilising prices and markets and for forming an association of growers, a kind of Empire Wool Pool, to minimise fluctuations in prices and to insure wool values, with Government approval. In July, 1934, following a decision of the International Wool Conference at Berne, in June, 1934, a Committee of the International Wool Federation, at a Paris meeting, drew the attention of the National Association of Wool Brokers at Sydney, to Italy's scheme for applying a quota system to Australian wool, on account of Europe's disturbed economic conditions.

*Zinc.*—Zinc cartel schemes have been formed, broken and renewed. In 1910, an Agreement of Austrian, Belgian, English, French, German and Netherlands Companies (62 per cent of world production then) formed a Federation—which excluded only U.S. works—to avoid over-production and improve prices. The Agreement was renewed for a further three years in 1914; but the war disturbed it. In 1928, a contract was concluded between all producers—except U.S. producers—to balance production and consumption.

<sup>1</sup> See p. 89.



European production was to be restricted if the price fell below a certain level. U.S. producers entered in December, 1928. A new contract, in 1929, provided for closer co-operation between European producers, restriction of Canadian and Australian exports and restriction of production if the price fell below a certain level. A new cartel was considered at the end of 1929, to include all the world's producers except those of the U.S. Despite attempts to prolong it the convention expired on 31st December, 1929. A cartel was again in operation early in 1930. The International Zinc Conference at Ostend, in July, 1930, registered an agreement in principle between European and over-seas producers and regarding exports to Europe from Canada, Australia and Mexico. The Conference aimed at restricting production by a quota system. In July, 1931, the cartel was re-established for one year, with automatic extension if not denounced at least three months before 31st December, in any year. Reduced output was agreed upon. In July, 1932, the Committee reduced output further. In March, 1933, at Brussels, an Agreement made shortly before that date was prolonged till 1st July, 1933. A later meeting was to decide the basis of renewal for two years from that date. Signatories to this Agreement were Belgium, France, Italy, Great Britain, Australia, South Africa, Mexico, Canada and Poland. Annual production was fixed, by quota, for each country. In November, 1935, Sir Robert Horne stated that preliminary negotiations had begun with a view to the creation of an international cartel.<sup>1</sup>

(b) *Other International Agreements*

*Bone-Glue Manufacture.*—In 1926, the International Association for Bone-Glue manufacture was founded at Lucerne, comprising most German, British, French, Italian, Belgian, Swiss, Austrian, Hungarian, Yugoslavian, Czechoslovakian, Rumanian, Polish, Danish

<sup>1</sup> Mr. Runciman referred to these negotiations in progress in the House of Commons towards the end of March, 1936.

and Swedish producers. Its aim was not to ration output, but to secure a fair distribution of raw material between members, in fact, amounting to partial rationing. Prices were not fixed, nor were sales regulated; but a general minimum price was enforced. There was a controlling council.

*Chemical Industry: Aniline Dyes.*—An Agreement on aniline dyes, made, in 1927, by French and German producers was joined in 1929 by Swiss producers. It covered all aniline dyes and auxiliary products for dyeing processes. Sales of dye-stuffs were regulated by a small Committee. Mutual assistance was given for home market sales. There were common selling agencies for foreign markets in some cases. The aim was to regulate markets and stabilise prices. An Arbitral tribunal was provided for, in case of disputes.

### (5) *Conclusions*

The solutions for the two parts of this problem fit into one another. To get rid of monopolies by certain countries and to give every nation free and equal access to raw materials means, in the first place, that the big Colonial Powers relinquish some of the areas that they control politically: in fact the pooling of the opportunities for "mandating" all such Colonial territories,<sup>1</sup> although such "mandating" alone would not solve the problem of economic disequilibrium. This aspect of the first problem is outside the scope of this study. The provision of ample access to such materials for all nations must be part of the function of the co-ordinating international body which, in solving the second part of the problem, controls their production and exchange. This body will, at once, control production and, in controlling markets, will ensure fair distribution to all

<sup>1</sup> Mr. Neville Chamberlain's hint in the House of Commons, on 6th April, 1936, that the British Government fully recognised League sovereignty in regard to Mandates, and would not object to a discussion with other Powers holding Mandates, of a re-allocation of Mandates, as a means of promoting world peace, was very welcome. See also Mr. J. H. Thomas's speech in the House of Commons on 21st April, 1936.

countries according to ascertained needs. Doubtless eventually it will exercise this function of controlling production without the intervention of national producers through their international organisations and agreements; but, as a first step, it could have a Section to register, and thus control, international agreements concluded by producers, which have become necessary.

A study of existing or previous agreements brings out certain important points. Formal international industrial co-operation between various undertakings ranges from "gentlemen's agreements" to a fully constituted "concern" or trust, with various forms of intermediary cartels. When industrial concentration proceeds as far as the "concern" it means that a financial or industrial group preponderates in this form of industrial organisation; although the undertaking remains independent it conforms to the financial, commercial and technical policy dictated by the group. In a trust concentration goes even farther; for a trust, though like a "concern", is more powerful and has closer financial concentration. A study of the various economic aspects of "concern" and trust operations, with capital provided from different countries, would be immensely interesting; but there is no place for it in this more limited study.<sup>1</sup> This study does, however, deal with the various forms of agreements between independent undertakings bound less closely. It embraces: concentration of interests; agreements; associations; consortiums and cartels; some voluntary, some compulsory; some with official, Government sanction and legislative action, and others solely between private undertakings. Those between private undertakings tend to be more in respect of semi-manufactured or manufactured products, such as steel. These agreements or cartels in the same branch of industry seek to regulate or impose conditions of production and sale, with or without a common sales organisation. They may regulate business conditions, sales conditions,

<sup>1</sup> Consider, for example, the enormous ramifications of the Swedish match trust and its relations with Governments.

in regard to delivery, payment, etc., sale prices—often in this case, with the creation of a joint sales service; fix quotas for output and export per national group; restrict production or planting; regulate markets territorially; control surplus stocks; and often these forms are combined. The main features of agreements and cartels described here are the fixing of quotas and the regulation of markets. Such quotas may apply to total sales or to amounts which signatories or members are entitled to produce. Generally there is a supervisory body. In the case of cartels sometimes a joint company for distributing orders may be formed, or even an independent company to sell all that a cartel produces.

In the Agreements analysed, whether the method adopted has been merely to limit exports, by quotas, or to limit production, with or without restrictions on plantings, and the central control of surplus stocks, the general principle has been to aim at stabilising prices and at forcing them to a higher level, in the interests of producers who have suffered from over-production and competition, and falls, often catastrophic, in prices, on the basis of a restricted production.

Experience in this field of economic life indicates that it is imperative that there should be international co-operation and organisation to avoid unnecessary competition and waste, relative over-production and production unrelated to consumption, and production in one country without reference to what is happening elsewhere and in competing artificial or synthetic products or substitutes. Although most of these schemes are on the basis of private enterprise, it is better that such enterprises should be organised internationally than that competition and international anarchy should prevail. Moreover, embodying in some degree the collective principle, they prepare the way for a larger and firmer form of international organisation. Such organisation, however, cannot be fully successful until certain conditions, to be mentioned shortly, are fulfilled.

Some of these schemes have succeeded in raising and

stabilising prices to the benefit of producers, and have eliminated some of the worst features of capitalistic over-production.

In due course, doubtless, there will be public international undertakings, performing the necessary functions in the production and distribution of these commodities, in relation to the central world economic organisation. As a stage on the road in that direction central organisations, under public ownership or control may be created, as happened during 1914-19, for co-operative purchase of such commodities and distribution on a quota basis according to ascertained needs. Meanwhile, certain general principles, which must underlie any international scheme of control and organisation if it would serve the general interest, can be laid down. All producing countries must come into the scheme, and all branches of production of the raw material, together with all artificial or synthetic products or substitutes therefor. Often it has been shown—as was emphasised at the Monetary and Economic Conference in the Economic Commission and its Sub-Commission on Co-ordination of Production and Marketing—that success has been frustrated by the non-participation of producers in certain countries, who seek to increase their output, to take advantage of the situation created, or by the difficulty of controlling certain branches of production of the commodity concerned, e.g. the native rubber producers in the Dutch East Indies have created great difficulties for the rubber control scheme, especially from the administrative point of view, and increased exports from this area wrecked the Stevenson scheme. Then there must be complete understanding with consuming countries. International agreement and organisation must not be on the basis of a restricted production. As stated before, there must be a central mechanism for attempting to relate production to real needs and to make these needs into effective purchasing power. All nations must have an equal right of access to supplies according to needs. Prices must remunerate producers,

on a reasonable "public utility" basis; but there must be no artificial maintenance of a high price level. Existing schemes may have tended to promote steadier prices, with less violent fluctuations; but consumers have complained about unduly high prices. For example, recently the U.K. representative on the consumers' panel of the International Tin Committee stated that the price of tin was too high.<sup>1</sup> Provision must be made for representation of consumers in connection with such schemes; as has been done, on a limited scale, in the case of manufacturers who "consume" crude rubber, who serve on a committee which is consulted by the International Rubber Regulation Committee, and in the case of tin, where the International Tin Committee has appointed an advisory panel representing the chief consuming countries, which is invited to attend its meetings whenever subjects directly interesting these countries are discussed. In January, 1936, the Chairman of Tronoh Mines (Malaya) urged that the International Tin Committee should be made more representative and that the British delegation should include tin mining, smelting and consuming interests, and, possibly, London Metal Exchange representatives. There must be representation, not only of consuming industries, but also of the interests of other, and, in particular, the final consumers, with a proper provision for their participation in the work of control. The necessity of working such schemes in close co-operation with consuming interests in importing countries and of making them fair to consumers was laid down in the Economic Commission of the Monetary and Economic Conference among the conditions that all such schemes must satisfy. The workers' interests also must be taken into account. Then, Agreements should ultimately be made by the responsible Governments in the producing countries, which should (and this would) ensure the effective execution of the Agreements. This may occur, as in the case of potash and mercury, when the companies concerned are owned

<sup>1</sup> *The Times*, 13.9.35.

and/or controlled by the Governments; but more is required. As, for example, in the case of recent tea, tin and rubber Agreements, Governments must be signatories thereto and/or agree to enact necessary legislation to implement the Agreements. Such Agreements should be registered with the League of Nations with a special Office or Section of its Economic Organisation, to which reference will be made later; and a measure of co-ordination of the production and distribution of these various essential commodities would be effected. This international control also must apply to other substances which are rare and very necessary for essential services; such as helium and radium. During the war all helium produced in the U.S. was monopolised and the War Department retained this right afterwards. An American law forbids export of helium, which the U.S. alone can manufacture in unlimited quantities. A year or two ago General A. D. McRae, speaking in the Canadian Senate, urged the development of radium production at a price to break monopolistic prices,<sup>1</sup> to help the whole British Commonwealth. He contended that there were rich deposits in the Great Bear Lake, North-West Territories. He urged the Government to control production and distribution of radium produced from Canadian ores and to appoint a Commission to study the best methods of doing so. He asked the Government to reserve all pitch-blende deposits from further stakings by prospectors and to take over all claims staked, with compensation.

As national ownership and control proceed, international control and organisation will become easier. A survey of the world situation reveals clearly the process of increasing Government control both of raw materials and, especially, of minerals. It began well before the Great War, which gave it a great impetus, and has continued since. Throughout the world there is increasing public interest in and a tightening of

<sup>1</sup> It could be produced, he said, at one-fourteenth of the Belgian Congo retail price.

public control on essential sources of supplies. This public control takes a great variety of forms; and in some countries has gone as far as nationalisation. Governments also are adopting protective measures to preserve great sources of mineral supply for their own nationals.

There remains, of course, the cognate problem, with political as well as economic aspects, of preventing the struggle for raw materials from menacing world peace because of action by nationals of certain States owning or exploiting resources to a large extent. International action must cover not only the possession of territory and the achievement of economic equilibrium, but also the investment and lending of capital for production. Failing effective international action some national measures have been taken, but they cannot suffice. The U.S. Government has discouraged loans to foreign raw material monopolies. In stating that the State Department will not approve them, though legally their approval is not necessary, loans have been prevented, e.g. the 1925 \$30 million loan to the State of São Paulo and a \$25 million loan to the German potash industry.<sup>1</sup> Moreover, the U.S. Government has stated that it will not give special protection to its nationals who invest in raw materials abroad. This was illustrated clearly by its attitude to the recent oil concession in Abyssinia.

With regard to both aspects of this great problem, bitter political experience is pointing to the dire necessity of urgent action along the lines indicated above. The demand for it is boiling up again, having died down after the agitation in the earlier stages of League history. Italy played a leading part then as now. Then it was scarcity, and during the crisis abundance, that presented grave problems; caused alike by economic anarchy. In the 1935 Assembly Denmark referred to the problem of raw materials, which was raised in 1920; and said that it should be reconsidered now that circumstances were changed as regards the price of raw materials. In

<sup>1</sup> These loans, however, were floated elsewhere—in Great Britain.



the Second Committee it asked for an international convention on raw materials, enabling States poorer in certain raw materials to get them on reasonable terms in peace-time. Also, in the Second Committee of this Assembly a resolution was moved asking the Assembly "to appoint a World Resources Board to make a survey of the world's food and raw materials and to suggest methods, including migration, by which the economic problems of all nations may be eased."<sup>1</sup>

In his momentous speech in the 1935 Assembly the British Foreign Secretary was driven, by the relentless pressure of events—the only real force that, when moral considerations fail, will drive nations into sane economic paths—to refer to the problem of the world's economic resources and the possibility of using them better in the future; because he recognised in this problem of the control and distribution of raw materials a real possible cause of war. He admitted: that abundant supplies of such materials appeared to give special advantages to the possessing countries; that some countries, either in their native soil or in their colonial territories, have preponderant advantages which caused others, less favoured, to be anxious. He declared correctly that the problem was economic rather than political and territorial, and that the fear of monopoly, of the withholding of essential colonial raw materials was causing alarm. It is a great step forward that a big Power, with something at stake, has stated that the problem is especially real as regards colonial raw materials and that countries which have no colonial empires naturally fear lest exclusive monopolies be set up at their expense. Moreover, there has been a universal welcome for the suggestion that there should be an inquiry into the problem of raw materials from colonial areas, including protectorates and mandated territories, with special reference to the necessity for free distribution of such materials among the industrial countries requiring them, to remove all fear of exclusion or monopoly. A collec-

<sup>1</sup> *News Chronicle*, 25.9.35.

tive attempt to deal with this question in a fair and an effective way could have important results. This, however, is not the whole problem of raw materials, which embraces many countries which do not fall within these categories. The British Foreign Secretary referred to the work of the Economic Commission of the Monetary and Economic Conference in endeavouring to secure more remunerative prices for producers of raw materials, by co-ordination of production and marketing. The work of this Commission, like the sad experience of this crisis, has shown that the economic problem cannot be confined to these limited areas, and that it is not enough to secure free access to raw materials for industrial countries in these areas. It is not enough: to adopt, in colonial and other overseas areas, the policy of the open instead of the closed door—although this, if nothing more, ought to be done, particularly in Mandated areas; to grant equality of treatment in regard to the opportunities for concessions; to prevent the conclusion of political agreements and treaties favourable to one or two countries; and to grant the right to buy on equal terms, to price equality to all comers, and to export the crude form of minerals to be worked up at home. The inability of many Liberal and Labour politicians to understand the real problem was reflected in Lord Arnold's plea in the House of Lords recently<sup>1</sup> for freer trade in fiscal arrangements in the Empire as a solution to the problem of raw materials raised by Italy, Germany and Japan. It is necessary to get equal distribution of raw materials from all areas; but, above all, to solve the economic problem of abundant and wasted production in a world of which under-consumption is only too characteristic. This demands that international organisation to which reference has been made; and the terms of reference of the inquiry con-

<sup>1</sup> See House of Lords' Debates, 25th March, 1936. The Earl of Plymouth (Under-Secretary for the Colonies) thought that if exchange and currency problems were solved, German, Italian and Japanese raw materials problems would be solved. he, too, missed the vital point.

templated should be wide enough to include all aspects of the question, and to discuss collective *organisation* and not merely "freer trade". It is encouraging to notice that the British Minister emphasised the importance of dealing fairly with consuming countries. While it is true to state that the problem is mainly an economic problem it is not true to assume that it is only economic, a matter of sources of supply and markets and not of colonisation.<sup>1</sup> There remains the task of satisfying the Powers which have limited colonial areas or none and which desire to share in their general administration and colonisation, and in helping the backward areas to develop in every way. The time is long overdue when the League should face manfully, with the willing co-operation of the Great Powers, the task of putting on a mandate, and perhaps a joint mandate basis, all colonial possessions. To achieve this would remove a potent cause of war. Suggestions similar to that made by Sir Samuel Hoare, some more far-reaching, have been made recently by religious and political leaders, especially in Great Britain and the U.S.<sup>2</sup> The volume of opinion in

<sup>1</sup> The French Peace Plan approaches the larger view in advocating a European approach to the raw materials' and colonial problems and in stressing the "double necessity for a common reservoir of raw materials and for territory for expansion for surplus European production"; but limits the utility of its proposal by suggesting that this "should lead to a revision of certain colonial statutes, not in the domain of political sovereignty, but from the point of view of economic rights and the co-operation of credit between European States. . . ." Italy and Germany must be political as well as economic "associates" in this matter.

<sup>2</sup> In a powerful letter to *The Times* (28.8.35), Mr. George Lansbury, M.P., urged the League to summon a new world conference for the sole purpose of "discussing how the vast stores of national resources and the tremendous unsatisfied markets of the world can be organised and regulated for the service of mankind". Addressing a meeting on 13th September, 1935, he urged that "all raw materials under British control be transferred to an international authority, created through and by the League of Nations" (*Daily Herald* and *News Chronicle*, 14.9.35). Speaking later, to a reporter, Mr. Lansbury elaborated his views on this question thus "Had I the power to go to the League of Nations to speak for our nation, I should ask the League to appoint a special commission with the definite instruction and power to call into conference international economists, scientists and organisers, for the express purpose of producing a scheme for carrying out my proposals. They could quite easily tell us how to meet the insistent demands of Italy, Germany and other nations

favour of such urgent action is becoming overwhelming. The British Government's studies on this question are

for expansion, and how to pool natural resources, develop the markets, and satisfy the clamant unsatisfied demand of the millions of people starving and sick in Asia, Africa and Europe" (*Observer*, 15 9 35). The following resolution, adopted at a joint meeting of the General Council of the Trades Union Congress, the National Executive of the Labour Party and the Executive of the Parliamentary Labour Party, was passed by the Trades Union Congress, at Margate, in September, 1935, and by the Labour Party Congress, at Brighton, in October, 1935 "We call upon the British Government to urge the League of Nations to summon a World Economic Conference, and to place upon its agenda the international control of the sources and supply of raw materials, with the application of the principle of economic equality of opportunity for all nations in the undeveloped regions of the earth." In an article in *John Bull*, entitled "How to Stop War" (the issue for the second week in September, 1935), Mr. Ernest Bevin repeated a proposal made by him in a Broadcast talk at the beginning of 1934 in the "Whither Britain" series, for "a Convention signed by the nations, agreeing to bring basic raw materials under national ownership in each State. An international body should be established to regulate the exploitation of such raw materials, with an agreement that any nation desiring industrial development should have access to the available sources of raw materials on due payment. Also, output should be so organised as to meet the legitimate world requirements and maintain a stable price level." Addressing the Church Congress, at Bournemouth, on 8th October, 1935, the Archbishop of Canterbury, after supporting the British Foreign Secretary's speech at the League Assembly, said, "Further—and it is here that I am glad to be able to join hands with Mr. Lansbury—I am sure that the time has come for an international conference; preferably originated by the League, to consider impartially and generously a more equitable distribution of the economic resources of the undeveloped parts of the world, which prevents the adjustment of production and consumption by the free flow of trade, and which is admittedly the root cause of strain and discontent among the peoples of the world" (*The Times*, 9.10.35). On 14th October, 1935, the Committee of the International Miners' Federation, at Brussels, called "on all affiliated national organisations to use the maximum of influence with their respective Governments to urge the League to summon a world economic conference for the consideration of an international control of the sources and supplies of oil and raw materials" (*Daily Herald*, 15 10 35). In his opening address to the Annual Women's Conference on Current Problems, in New York, on 15th October, 1935, Mr Cordell Hull, U S Secretary of State, advocated "an international agreement on the organisation and principles which will ensure that all important raw materials shall become available on reasonable terms wherever they are needed". In a Broadcast address to the same Conference Sir Samuel Hoare said "Looking to the future I selected the question of the control and distribution of Colonial raw materials as one of the causes, and I suggested that it would be well to anticipate possible controversy by examining it without unnecessary delay" (*The Times*, 16 10 35, and the *Daily Herald*). A statement published by the Peace and Reconstruction Council, on 21st October, 1935, urged "access to undeveloped markets and raw materials on equal terms" in the non-self-governing Colonial territories of all nations. On 23rd October, 1935, the Archbishop of Canterbury issued a statement embodying the views

in progress, according to Mr. Eden's statement in the House of Commons on the 16th December, 1935; and

of representatives of various Christian communions in Great Britain, at a private and informal conference held at Lambeth Palace on 11th October, 1935, which said, *inter alia* "We urge that as soon as may be possible the League should arrange international inquiries and conferences on the more equitable distribution of the material resources contained in the undeveloped parts of the world and on the removal of the barriers by which national economic selfishness restricts the free flow of trade between nations" (*The Times*, 23 10 35). *The Times* Tokio correspondent (23 10 35) said that the Japanese Foreign Minister, Mr. Hirota, strongly held the view that the way to prevent wars was to eradicate their causes, among which he included the unsatisfied needs of certain nations for territory for colonisation and the control of vital raw materials. A resolution adopted at the General Council of the British League of Nations Union, on 4th December, 1935, welcomed Sir Samuel Hoare's announcement and urged renewed Government efforts "to promote agreement on measures to reduce the instability of currencies and the barriers to trade which are the real causes of the difficulties both of the raw material using countries in obtaining supplies from outside their own political boundaries, and of the raw material producing countries in disposing of these materials" (*Headway*, January, 1936, p. 18). *The Times*, 18.12.35, contained a letter from Mr. Lansbury and several religious leaders calling for a new world conference under League auspices to deal with raw materials and kindred economic problems, and establish an international administration, at Geneva, for colonial territories. An inquiry is being undertaken by the Permanent International Studies Conference, and the Institute of Intellectual Co-operation (League of Nations Information Section, Press Communiqué, 20th December, 1935). The Congress for Peace by Law, at Marseilles, 28th-29th December, 1935, passed a resolution urging League action to supervise monopolies of raw materials, bearing in mind workers' and consumers' interests, and to promote the internationalisation of Colonial systems (*Industrial and Labour Information*, 20th January, 1936, p. 84). Addressing the Diet (Tokyo) on the 21st January, 1936, the Japanese Foreign Minister emphasised the importance of trade in raw materials to producing and consuming countries. On 5th February, 1936, the House of Commons discussed Mr. Lansbury's motion calling for an international conference on raw materials and similar economic questions. On 11th February, 1936, a Japanese Foreign Office spokesman expressed appreciation that Western Statesmen were discussing this problem. Lord Strabolgi and Mr. W. S. Thatcher addressed a League of Nations Union Congress on this question, on 19th February, 1936. Mr. Eden underlined Sir Samuel Hoare's statement, in the House of Commons on 24th February, 1936. A joint conference of the International Federation of Trades Unions and the Labour and Socialist International, in London, in March, 1936, demanded an international conference on this problem. See also Lord Lugard's articles in *The Times*, 13 1 36 and 14 1 36, letters to *The Times*, from Mr. Gull and Lord Lothian, on 11th February, 1936, on Japan's need of raw materials; Professor Toynbee's lecture at the Berlin Academy of German Law, Berlin, 28th February, 1936, Mr. H. D. Dickinson's article in *Headway*, February, 1936, Dr. Goebbels' demands for colonies on 17th January, 1936. "The rest of the world is rolling in wealth. We are beggars . . .", Herr Hitler's interview with *Paris-Sarr*, 26 1 36, calling for colonies, and Dr. Goebbels' appeal for a redistribution of raw materials, on 1st March, 1936.

Viscount Cranbourne, on 5th February, 1936, said that the Government agreed with Mr. Lansbury's motion in the House of Commons, calling for a World Conference on these and similar economic problems.

(b) COMMUNICATIONS<sup>1</sup>

The movement towards international co-operation in regard to communications is growing and is admitted to be essential to economic progress. The importance of communications in uniting the peoples was emphasised recently by General Smuts.

Communications are a great solvent of international troubles—one which could cause people to come together in spite of their national idiosyncrasies. Politically countries are divided, but they could co-operate most amicably in endeavouring to bring Africa to the highest possible level.<sup>2</sup>

The late Sir Basil Blackett, Chairman of Imperial and International Communications, Ltd., speaking in November, 1930,<sup>3</sup> said that if world communications of the future were to be rapid, efficient and cheap, it would only be by world co-operation. If each country tried to work in selfish isolation, its communications would not only have to be heavily subsidised by that State, but they would be neither as rapid nor as efficient nor as cheap as they ought to be, and the facilities would be nothing like as great as they might be.

This movement is given the greater impetus in that Governments are coming increasingly to own or control external and Overseas communications, such as wireless

<sup>1</sup> See, *inter alia*, *International Communications*, by K. Clark, New York, 1931; Reports of International Congresses on the various forms of communication, *International Radio-telegraphic Conference, Madrid, 1932* Report to the Secretary of State by the Chairman of the American Delegation, 1934; and *The Times* (files).

<sup>2</sup> At a Pan-African Postal Conference, at Pretoria, in October, 1935, attended by delegates from British, French, Belgian and Portuguese territories (*The Times*, 17.10.35)

<sup>3</sup> At a luncheon of the Royal Empire Society, on "World Communications". See *The Times*, 19.11.30

and air services. Moreover, the activities of the League Communications and Transit Organisation have done much to promote such co-operation. Let us glance at recent developments and proposals.

### (1) *Roads*

Interesting proposals have been made for international co-operation in road-making. For example, a few years ago M. Delaisi<sup>1</sup> put forward a plan to build roads across Europe by means of National Offices representing Provincial and Local Authorities, Chambers of Agriculture, technicians, railways and canals and the States, co-operating with the League of Nations; and, similarly, waterways and railways. Each State, he said, should form an Autonomous Transport and Communications Office, to receive certain revenues, part of which should go to the Bank for International Settlements, to make international settlements in regard to the necessary loans. States, Provinces, Municipalities, Chambers of Commerce (which would benefit by the scheme) should help to finance it. Again, in its proposals to the Commission of Inquiry for European Union, in April, 1931, the I.L.O. emphasised the value of a great international road system which would meet the present-day requirements of a rapidly increasing motor traffic. Special roads for motor traffic are everywhere being made in the most advanced countries of Europe but they are not connected with one another. Should not an international road system, it urged, have its main arteries both longitudinally and transversally? There might, for example, be one main artery passing through Paris, Vienna, Athens; another through Paris, Berlin, Warsaw and Moscow; a transversal trans-Alpine artery and another from the Balkans to the Baltic. This would, as it were, represent a nervous system of the United Europe which it is desired to create. The International Touring Conference, at its meeting at Budapest, which con-

<sup>1</sup> See *Plans*, Paris, 1931; and *Bulletin Mensuel de l'Union des Syndicats d'Ingénieurs français*, January, 1933.

tained representatives of the Governments of Great Britain, Belgium, Germany, Austria, Hungary, Yugoslavia, Rumania, Bulgaria and Turkey, and of national touring and motoring clubs (together with a League observer), discussed the building of a transcontinental motor highway from London to Constantinople. The Hungarian Minister of Commerce and Communications said that already his Government had built the Hungarian part of the road, which would be very important in promoting economic intercourse and neighbourly relations between European nations.<sup>1</sup>

### (2) *Waterways*

Similar proposals have been made by M. Delaisi, as stated, and the I.L.O., among others, for a European system of navigable waterways. Certain regional systems exist and only require to be co-ordinated. The linking up of the Rhine and the Rhône and the North German system with that of the Danube would be enterprises which would affect internationalised waterways or waterways which pass through various countries. They would be of interest to a large number of commercial powers of Western, Northern and Central Europe. Plans for more local co-operation between neighbouring States have been developed in such countries as Belgium, Holland, Germany, Switzerland and France.

### (3) *Railways*

Further co-operation in regard to European railways is facilitated by the fact that largely they are State-owned. It has been estimated that the State owns over 67 per cent of all European railways, and as much as 94 per cent in Belgium, 100 per cent in Bulgaria, and Esthonia, 93 per cent in Finland, 94 per cent in Germany, 100 per cent in Latvia, Lithuania and Luxemburg, 87 per cent in Norway, 100 per cent in Poland and Rumania, 89 per cent in Yugoslavia and 100 per

<sup>1</sup> *The Times*, 12 9 35.



cent in Turkey-in-Europe, and in Russia. The International Railway Union, with headquarters in Brussels, was formed, in 1885, to facilitate railway progress. As an indication of the work accomplished may be mentioned recent studies by its Conference, regarding: a specimen type of contract between railways and air undertakings to enable passengers (and goods) to change from air to railway travel without taking a fresh ticket; and the provision of facilities for issuing credits in respect of goods sent by rail—with a view to developing in Europe a system widely used in the U.S. and Canada.

#### (4) *Shipping*

Shipping affords a powerful illustration of the truth that industries can be saved only by international co-operation; for this industry urgently needs an International Agreement on the laying-up or scrapping of superfluous tonnage and on the rate of building, etc. This trade is essentially international in character. All nations have suffered from excessive competition due to the increased amount of mercantile tonnage and to the diminished volume of goods to be carried on account of economic anarchy in other directions which has bottled up world trade. Aided by Government subsidies (for which the private owners have cried out) in many countries, ships have been built to enable competition in international trade, with no regard to the international aspects of the problem. The crisis showed the evil of a surplus of ocean-going tonnage. The International Shipping Conference was formed, in 1921, with headquarters in London, to organise co-operation among ship-owners. Central bodies from various countries are affiliated.

A pooling scheme for oil tankers has been formed. On 4th May, 1934, it was announced officially that the Council of the International Tanker Owners' Association, Ltd., at the meeting in London, on 2nd and 3rd May, decided to put the international tanker policy plan (Schierwater) into operation on 3rd May. This

scheme is an attempt to rationalise the industry because of unremunerative rates for transporting oil and spirit. Its main principle is that out of gross freights a percentage shall be contributed to a fund to compensate owners of unemployed vessels in order to induce owners not to accept unremunerative rates. It aims at raising freight rates, discouraging new building, laying-up tonnage and meeting laying-up expenses. The plan was approved by meetings of owners in most European countries. International Tankers Owners' Association, Ltd. (known as the Oil Tanker Pool), giving effect to the above plan, was formed in March, 1934, supported by Norwegian, Danish, Swedish, German, Dutch, French, Italian and British owners. At the first annual meeting it was stated that Agreements had been reached to break up seven tankers. This part of the scheme provides that if an owner is willing to sell tonnage for breaking-up, the Association will continue to pay a paid-up allowance for an agreed period after breaking-up.

Owners of cargo vessels wanted to devise a similar scheme. Several attempts have been made to achieve this measure of rationalisation. In November, 1932, a Committee of Experts of the International Chamber of Commerce emphasised the need for the industry to take steps to adjust the supply of tonnage to the demand. The Preparatory Committee to the Monetary and Economic Conference stressed the need for agreement to this end and mentioned the possibility of agreements for scrapping tonnage, utilising existing tonnage and laying down of new ships. The Monetary and Economic Conference confirmed the Government's desire for the adoption of plans for co-ordinating production and marketing and approved general conditions to govern such agreements. In March, 1933, the Baltic and International Maritime Conference, at Hamburg, urged Great Britain to initiate a Conference for this purpose. The British Government, in proposing the temporary subsidy to tramp shipping in Parliament, on 3rd July,

1934, stipulated that owners should consult their colleagues in other countries with a view to framing proposals aiming at the adjustment of the supply of tonnage to the demand. When the British Chamber of Shipping was approached by the Baltic and International Maritime Conference, its Council appointed a Committee to work out schemes for scrapping and laying-up tonnage. This led to a National Scrapping Scheme, without compulsion, except that, to finance it, uniform tonnage dues would be collected compulsorily through Government machinery on national tonnage in each country adopting it. The scheme would be financed out of freights. Eventually a Tonnage Disposal Board would be appointed, comprising representatives of owners of each class of tonnage concerned and a representative of the Board of Trade, which would be empowered to administer the scheme and purchase for scrapping vessels for which it would invite offers from owners and which would negotiate with the industries concerned for breaking-up and disposing of vessels to be scrapped. In order to finance the international laying-up scheme, uniform tonnage dues would be collected compulsorily from ships of all flags through Government machinery in each country adopting it, and compensation would be paid out of the proceeds of the tonnage dues to those managing or controlling tonnage laid-up in accordance with the scheme. A Central Committee of administration would be formed of representatives appointed by ship-owners' associations in all participating countries; which would determine from time to time the amount of tonnage to be laid up in order to maintain equilibrium between supply and demand, and the period during which the vessels would need to be laid up to comply with the scheme. Also the Committee would be trustees of a compensation fund fed by dues based on net registered tonnage. The proceeds of the dues would be banked with an approved institution, the B.I.S. being suggested. After twelve months stock would be taken of funds in hand, and the amount of tonnage laid up,

and compensation would be paid in proportion to the amount laid up during the prescribed period. The scheme would operate for two years, and, thereafter, from year to year as the committee might decide. Following consultations between the world's ship-owners, the Preliminary International Conference on the Rationalisation of Shipping met, in London, 14th to 19th January, 1935; and represented owners from seventeen countries. It discussed the rationalisation of shipping and sought to adjust supply of tonnage to demand. It concentrated on a draft international pooling scheme (applying, in respect of cargo only, to passenger liners also). A scheme was agreed upon, to be sent to the constituent associations of shipowners in each country, with a view to calling a full meeting of the International Shipping Committee and the conclusion of a final Agreement. There was universal agreement that competition in the international freight market must be eliminated. It was seen that any reduction must be universal. The scheme suggested that the tonnage already laid up should be taken as the basis for an internationally concerted rationalisation scheme, which followed the lines drawn above, and provided for an international council to work in conjunction with national shipping organisations, and for the depositing of funds collected, as dues, with a central bank. By September, 1935, the International Shipping Conference had received replies from nearly all constituent associations accepting the scheme in principle; and it arranged to call a further preliminary meeting, in October, 1935. Meantime, British owners had put forward an alternative draft, voluntary, non-contributory scheme,<sup>1</sup> a kind of gentleman's agreement. Through national organisations and the International Conference owners would undertake directly to keep laid up a certain percentage of their tonnage as owned on an agreed date, called *datum* tonnage. An Agreement

<sup>1</sup> Submitted to the Conference by the Chamber of Shipping and the Liverpool Steamship Owners' Association.

could be modified as trade circumstances might require, as determined by an International Committee to be appointed. Owners would agree to operate only that percentage of the tonnage owned; in fixing which account would be taken of the amount of redundant tonnage as indicated by the amount of tonnage laid up and freight space unoccupied and the prevailing rates as compared with the cost of operation. Owners could group themselves to allow internal variation within the desired over-all percentage of laying-up or scrapping; and could in effect sell and purchase quota. Tonnage would be ascertained on the basis of cargo-carrying capacity, the object being to rationalise the freight market, leaving the passenger carrying trade as before to the Passenger Conferences and owners in question. It would apply, primarily, therefore, to tramp and cargo liner sections of the industry. Only international trade would be affected—to the exclusion of coasting voyages and voyages between near-by countries and vessels under one hundred gross tons.<sup>1</sup> In October, 1935, the Secretariat of the International Shipping Conference informed its constituent associations that a further meeting to consider the international rationalisation plan would have to be postponed.<sup>2</sup> In October, 1935, the "Baltwhite Timber Scheme", formulated at a meeting of the Baltic and International Maritime Conference and designed to improve the terms of transporting timber from the Baltic and the White Seas, was sent to national organisations of shipowners interested. It provided for agreed minimum voyage and time charter rates for timber cargoes from those areas from 1st January, 1936.<sup>3</sup> In December, 1935, it was announced that this scheme had been completed. Replies considered by a Special Committee at Copenhagen, on 13th December, 1935, showed that sixteen countries supported it. During

<sup>1</sup> *The Times*, 26.8.35 and 29.9.35 and 3.9.35.

<sup>2</sup> *The Times*, 7.10.35.

<sup>3</sup> *The Times*, 31.10.35. The "Baltic and White Sea Conference" was created in 1905 for a similar purpose, but conditions were less favourable then.

the past two years important efforts to promote minimum freight rates Agreements, apart from the rationalisation of the Northern European timber-carrying trade, have occurred. The British Government subsidy stimulated co-operation between British and other countries' ship-owners. Grain trade Agreements have been to the fore. Early in 1935, on a Greek owners' initiative, the British Tramp Shipping Administrative Committee formed an International Committee, representing, chiefly, Greek, Yugoslav, Netherlands, Norwegian and U.K. owners, to administer a scheme for minimum rates for Argentine grain. Then, on 21st March, a similar plan was inaugurated for the St. Lawrence grain trade, involving co-operation between cargo vessels and cargo liners. At the same time a minimum freight rate was agreed upon for coal from the U.K. to Canada. In August, it was extended to the Northern Range Atlantic Ports of the U.S. and to the Canadian Continental lines; and in the autumn it was prolonged for the winter months and the minimum freight rates for coal from Europe were applied to the U.S. Northern Range Atlantic Ports (including Albany), Halifax, N.S., or St. John, N.B. At the end of the year a comprehensive scheme was issued for the North Atlantic grain trade. A minimum freight Agreement for the Australian grain trade was reached in March, 1935, applying to the Australian trade to Europe and the Far East, and involving co-operation between liners and tramps.

Other proposals for international control have emanated from various quarters. Mr. A. C. Oidtmann<sup>1</sup> proposed a scheme for international legislation for controlling shipping; with the formation of an International Association of Shipowners, with a committee created by the Governments represented at the League. Governments' collaboration would be expressed in several Agreements: (1) each Government guaranteeing to maintain, for ten years, the tonnage of its merchant fleet at a size not exceeding present proportions; (2) each

<sup>1</sup> Manager, S A. Armement Deppe, Antwerp See *The Times*, 15 4 32.

Government promising to impose on all ships visiting its ports the observance of a minimum tariff for transport of goods; and (3) each Government promising to protect shipping companies running regular lines—to stop newcomers, whatever their nationality, from working in a trade already overstocked with facilities.

In September, 1932, the late Senator Jouvenel suggested that, at the Monetary and Economic Conference, France should suggest the placing of the mercantile marine of all countries under an international régime—following her support of internationalisation of commercial aviation.<sup>1</sup>

In January, 1933, Mr. R. C. Lee<sup>2</sup> proposed an international cartel to regulate operations, new ship construction and withdrawal of obsolete tonnage. It would provide adequate regular transportation to meet all shippers' and travellers' needs, would provide each nation with adequate building requirements and with such share of her own traffic under her own flag as she agreed with her neighbours and was entitled to, and would provide mail facilities. It would promote international trade and tourist trade, improve labour conditions and reduce unnecessary losses and excessive costs. The cartel would group shipping lines and function through a managing director and a Board of governors selected from the various lines. A spokesman of each Government represented in the cartel would be nominated to the Board. The companies would then finance an organisation which would establish adequate regular sailings to and from the territory and direct the laying-up of surplus tonnage in accordance with the general interest. Ships of each nation would carry one-half of the trade of that nation and such other trade as was found available. Building requirements of member-lines would be settled by the cartel with this in view

<sup>1</sup> An international system of maritime navigation, he said, would soon lead to an international maritime police, enabling a new economic order to usher in a plan for naval disarmament.

<sup>2</sup> Vice-President, Moore & McCormack, owners of the American, Scantic and affiliated lines. See *New York Times*, 9 1.33

and the coastal trade of each nation would be reserved to the nation's ships. To finance the cartel participating certificates covering the value of the vessels owned by the member would be issued. The cartel would be a Holding Company. Each Company would deduct from gross earnings of its vessels an agreed percentage to recompense it for its services and all other incomes except subsidies and actual operating expenses would be put into the cartel treasury.

#### *(5) Postal Services*

Mention already has been made of the International Postal Union which came into being as a result of the 1874 Berne Convention, remodelled in 1878. The Stockholm congress laid down an international postal code. It has a larger membership than the League and includes the U.S. Some overseas possessions of the Great Powers were admitted as members with independent votes. It is independent of the League. A congress, meeting every five years, is its governing authority and there is a Bureau, at Berne, which acts as its executive organ: it is supervised by the Swiss Department of Posts. It also has a Research Committee. Limited Unions have been recognised: for geographical purposes; and for specified mail matters, such as postal cheques, payment on delivery and parcel post, to which all members do not adhere. There is a Pan-American Postal Union, as a result of conferences in 1921 and 1926, and a Treaty, which became effective in 1927. An International Office at Panama controls transportation; and an International Office of the Pan-American Postal Union, at Montevideo, performs functions similar to those discharged at Berne.

#### *(6) Telegraphs*

The International Telegraphic Union was created by the Vienna International Telegraphic Conference, in 1868. In 1906, its scope was widened to include radio-telegraphy. The St. Petersburg Convention, 1875,



revised at Paris in 1925, regulates the international telegraphic service. Radio-telegraphy is regulated by the Washington Convention, 1927 (as from 1st January, 1929). The Swiss Government supervises the Bureau of the Union which is under the Swiss Postal and Telegraphic Administration. The Union includes private companies as members; though the bulk of such services is Government-owned. The U.S. is not a member of it. It is governed by a Conference and has a Bureau at Berne. In 1925, an International Consultative Committee on Telegraphic Communications was formed, as a permanent research organ, with its own regulations and methods of activity. The Union is not directed by the League, although the Communications and Transit Organisation considers telegraphic matters.

#### (7) *Submarine Cables*

There is no international union; but a kind of limited international law thereon has been evolved, in the 1884 (14th March) Convention, 1886 (1st December) Declaration and 1888 (21st May) Final Protocol—which defined the proper attitude to cables to be adopted by nations. Various conferences had been held, in 1882, 1883, 1884, 1886 and 1887. All signatories to the 1884 convention had passed the necessary legislation by 1888. No form of administration was set up; and no provision made for conferences or for a permanent Bureau; but the International Telegraphic Bureau does not neglect oceanic cables in its work. The U.S. is a member.

#### (8) *Radio*

The International Broadcasting Union, with headquarters at Geneva, was formed, in 1925, to promote international broadcasting co-operation and to co-operate with the League. At its Paris meeting, in March, 1936, a scheme was mooted for making the Union a world centre for distributing all forms of radio intelligence.

Governments were driven to internationalise radio services: they could not limit within national control the

operation of radio waves. International regulation was evolved by Conventions in 1906 (Berlin), 1912 (London), and 1927 (Washington)—at the International Radio-Telegraph Conference, representing eighty Governments, which received proposals from the International Telegraphic Union. Previous Conferences were held in 1903<sup>1</sup> and 1906 (Berlin) and 1912 (London). During the Great War the Inter-Allied Wireless Commission was formed to control wireless communications for war purposes. At the Paris Conference revised international regulations were drafted to bridge the gap between law and practice. To remove the war chaos an attempt was made at Paris to achieve a universal union: the Powers asked the U.S. President to call a conference to consider all the international aspects of communications by land telegraphy, cables or wireless telegraphy, to provide all the world with adequate facilities on a fair and equitable basis. A preliminary Conference was called at Washington, in 1920; with a continuation at a meeting of its technical committee on radio in Paris, in 1921. This revised the draft treaty prepared at Washington, creating an electrical communications union; but the full Conference was never called, because the League of Nations was not then able to realise the supervision as envisaged in the Covenant (Article 23) and the U.S. was hampered by the lack of national ownership. The Pan-American States succeeded in drafting a charter for an electrical communications union, in the presence of U.S. delegates, but these failed to sign the convention. Meanwhile the Committee of Jurists, created by the Washington Conference on the Limitation of Armaments, at The Hague, December, 1922–February, 1923, considered the use of radio in war-time.<sup>2</sup> The 1927 Washington Convention enlarged the area supervised. Like each of the other international unions for communications, it created an expert permanent technical committee to consider

<sup>1</sup> In which eight States—seven European, and the U.S.—participated

<sup>2</sup> In 1925, the International Amateur Radio Union was formed at Paris, containing experimentalists from thirty countries.

developments between conferences. It was fully realised that the air is international territory, a common Empire.

The 1906 Convention authorised the functioning of an International Bureau. The 1912 Convention designated the International Bureau of the Telegraphic Union to be its administrative organ. At the Washington Conference the International Bureau of the Telegraphic Union was explicitly made the Bureau of the Radio-Telegraph Union. Private Companies were admitted to the Washington Conference, on the Chairman's authority. The 1927 Convention provided that private Companies cannot be members; but they can take part in the Union's work. In seventy-five member-States radio communications are Government-owned, and in three privately-owned and Government-regulated (including the U.S.). The U.S. is a member of the Union. A Consultative Committee of the International Radio Union was appointed, by the Washington Conference's decision, and had functions limited to giving advice and consultative to the Conference immediately following. This technical committee met at The Hague, in 1929. It represented Governments; but, to allow the U.S. and Canada to attend, the committee was composed of experts of administrations and of authorised companies.

The International Radio Union has sought to extend the work of the Washington Conference,—which only elaborated law in regard to the use of radio—to get an inclusive convention covering ship-to-shore, ship-to-ship, shore-to-shore, land-to-sky rules and applicable to extensions of these services.

A European Radio Conference was held at Prague, in 1929.<sup>1</sup> Other regional Conferences were held, at Ottawa, in 1929, and New York, in 1930. Juridical Conferences in radio have been held. The third of these, in Rome, in 1928, which represented Governments and

<sup>1</sup> This Conference elaborated a Final Protocol, indicating the signatories as a regional union of twenty-six States, using the International Telegraphic Bureau as the intermediary and the International Radio Union as an expert body.

economic and professional organisations, re-affirmed the initial declaration: to the effect that "the air is free", but should not fall into a state of anarchy, and each State should assure free passage of waves. In 1924, at Mexico City, a Pan-American Communications Conference was held. The Fifth Pan-American Conference, at Santiago, in 1923, discussed electrical communications; and, in resolutions, declared for these principles to govern them: that since national electrical communications are "intrinsically a public utility", they should be under the supervision of the Governments concerned; and that, when a part of international communications, they should be "under Government supervision". On a U.S. initiative, moreover, this Conference recommended the establishment of an Inter-American Commission on Electrical Communications; which met at Mexico City, in 1924, and elaborated a single convention covering electrical communications and provided for an international Inter-American Bureau, approved in 1925 at the Rio de Janeiro Conference.

The next step was to unify the Conventions on telegraphic and radio communications. Draft Treaties, to this end, were prepared: one issued out of the Washington preliminary Conference on world communications, in 1920; and another was developed by the International Telegraph Union, at the Italian Administration's request, with Spanish support, as a preliminary study for the Madrid Conference, 1932. In Madrid, in September, 1932, a joint Conference of the Conferences of the International Telegraphic Union and the International Radio Union considered the draft for a single radio and telegraphic union elaborated by the International Bureau of the Telegraphic Union in 1930. A new "International Tele-Communications Convention" was concluded, and signed by seventy-two Governments, including the U.S. The general principles in the Convention were supplemented by separate regulations dealing with radio, telegraphy and telephony respectively. The Convention created the International Telecommunica-

tions Union, replacing the International Telegraphic Union, combining radio and telegraphic communications. Governments accepting the Convention must accept at least one set of regulations under the condition that the Supplementary Radio Regulations may be accepted only in conjunction with the General Radio Regulations. The regulations may only be accepted by Governments adhering to the Convention. A Government accepting the Convention is bound only by its provisions with respect to the services, the regulations concerning which it has accepted. The U.S., therefore, only accepted obligations in respect of radio alone. The Convention laid the basis for international consulting committees for telegraphy and telephony as well as for radio, and is, therefore, broader on this point than the previous radio Convention. The International Radio Consulting Committee was to comprise experts of Administrations and Companies recognised by their respective Governments and organisations interested in radio studies. The Convention transferred to the Bureau of the new Union—the Bureau of the International Telecommunications Union—the provisions common to the three services, and was to be supervised by the Swiss Federal Government. It provided that each administrative Conference could permit participation of private operating agencies in an advisory capacity (allowing U.S. Companies to take part in telegraphic and telephonic conferences). The Convention operated as from 1st January, 1934.

#### (9) *Air*

The International Commission for Air Navigation, with headquarters in Paris, was formed on 11th July, 1922, in conformity with the 1919 (13th October) Air Convention; and comes automatically under the League's direction in accordance with Article 24 of the Covenant. It renders various technical services to the twenty contracting States.

Air communication necessitates international co-opera-

tion,<sup>1</sup> joint planning and reciprocal action. One nation's aircraft is dependent for accurate navigation and safety on services provided by another. Projected Trans-Atlantic air services are a special case in point. Above all, air transport implies mutual good-will.

Governments have co-operated in forming companies and in Agreements granting facilities for air transport. This co-operation must be developed and given a proper form of international organisation. Addressing the Marshall Society at Cambridge, in February, 1931, Sir Eric Geddes<sup>2</sup> pressed for simplicity in the staggering number of laws, rules and regulations

which present one of the most serious obstacles to the progress of air transport. Here they must not cross a frontier after dark; there they must not deviate one hundred miles because they must not operate unless they call at a certain town, or they must not operate more than once weekly. . . .

He advocated one single organisation in control of an arterial airway, instead of a number of disunited local lines. The British-Africa Air Mail Service to Cape Town indicates what co-operation can achieve. Within the League proposals have been made, for example by the French Government, for the internationalisation of commercial aviation (discussed in 1933).

### (c) ELECTRICITY<sup>3</sup>

"There is no question that international electrical

<sup>1</sup> See *The Times*, 27 12 35, leading article, "Girdling the Earth".

<sup>2</sup> Chairman of Imperial Airways.

<sup>3</sup> See, *inter alia*: *Reports of Proceedings of World Power Conferences*; *Manchester Guardian Commercial*, 30.7.31, pp 89-90 "Super-power Systems for Europe"; *Times Trade and Engineering Supplement*, 28.6.30, giving an account of the Belgian Government's proposals for a European system to the Commission of Inquiry for European Union; I.L.O proposals to the Commission of Inquiry for European Union, 18th April, 1931, *L'Etat Moderne*, May, 1931, pp. 441-6. "Le Commentateur de la S.D.N.", by P. Allard; *Le Temps* and *La Journée Industrielle*, Paris, 6 7 32, Reports of Speeches at the Fifth International Electricity Congress; *Le Génie Civil*, 21.1.33, p 75: "Les Forces Hydrauliques des Alpes"; and *La Journée Industrielle*, 9.12.30. "Les Echanges Internationaux d'Energie Electrique et leur développement".

communications are and will always be subject to some form or forms of public control.”<sup>1</sup>

The World Power Conference was formed as a permanent international organisation by the International Executive Council of the First World Power Conference, held in London, in 1924. It studies the national and international adjustment of industrial and scientific sources of power in relation to each country's potential resources in hydro-electric power, oil and minerals, by comparing experiences in developing agriculture, irrigation and land, air and water transport, and by holding or promoting national and international conferences on technical, financial and economic aspects of the industry. It has representatives on national committees in forty-eight countries. It meets every six years. It met in Berlin, in 1930, and again at Washington, in September, 1936, together with the Second Congress of the International Commission on Large Dams, with I.L.O. participation. At the Second Plenary Meeting of the World Power Conference in Berlin, in 1930, and at the E.H.T. Conference at Paris, in 1931, the necessity of international co-operation in planning and erection of a super-power network in Europe was emphasised. This could only succeed on international lines; for apart from the question of expense there are obstacles in national antipathies and jealousies.

Schemes have been suggested involving utilisation of the water-power of Norway, for a European network. Plans have been made, for example, for transmitting power from Norway to Germany, via Denmark or including Sweden (and by overhead line and a cable) as a beginning, Norway being very rich in water-power resources.

In January, 1931, the Belgian Government sent a memorandum to the Commission of Inquiry for European Union envisaging a continental solution for the

<sup>1</sup> Col. M. C. Rorty, Vice-President, International Telephone and Telegraph Corporation, New York City: "Electrical Communication Services and International Relations" (*Annals*, July, 1930)

problem of transport and international transit of electrical energy. Exchanges of energy occur between Switzerland and Germany and Switzerland and France, France and Belgium and Italy and Switzerland. At the World Electricity Conference, Berlin, May, 1930, the question of creating a huge 400,000 volt system, with three main lines, was raised by Dr. Oliven. This would give Europe an almost unlimited supply of electrical energy. In his opinion the time had arrived when exchange and distribution of electrical power should be taken in hand irrespective of political frontiers. He maintained that none of the technical and economic problems that would have to be solved was insuperable. Transmission had become a question only of capital, and adequate water power was available. One source of the latter supplemented another; the water-power of the High Alps, for example, attained the maximum through the melting of the snow in the summer months, the rainfall on the Dalmatian coast is heaviest in the winter, and the works that are being constructed at the Iron Gate of the River Danube will provide a constant supply. A million kilowatts could easily be generated by the works on the Danube and on the Dalmatian coast alone, and immense power from the Norwegian watercourses.

He had calculated that in the near future 5,000,000 kw. could be obtained from European water-power, which quantity could be increased as required. To these sources of power, Galician and Rumanian oil and South Russian coal could be added. Within the next few years, several schemes for transmitting 200,000 volts across the frontiers of European countries would be completed. Works in course of construction, for example, in Switzerland, and in the Austrian Vorarlberg will supply Western Germany with electrical energy, while other projects in preparation will permit an exchange of current between Belgium, France, and Germany.

The great scheme did not include England, as there is no means of transmission of electrical energy across the North Sea, though England's coal, it was suggested,



might feed works in Calais, whence the power generated might be included in the great European net. Three lines were projected in Dr. Oliven's plan. The first would start from the Norwegian water-power, to which that of Sweden could be added, and pass through Hamburg, Berlin, and the Central German brown coal deposits, to the water-power of the High Alps and thence, through the Brenner, to Genoa and Rome. The second line would start at Calais, where great works would be erected to exploit cheap coal from England, from Northern France and Belgium; it would pass through Paris and Lyons to the water-power of the Rhône district, thence to Barcelona and Saragossa, and finally to Lisbon, which lies favourably for European coal. The third line would start in Warsaw, pass through the German-Polish coal deposits, through Czechoslovakia, Vienna and the Austrian water-power sources to Yugoslavia, to link up with the energy generated by the Dalmatian coast water-power.

Two lines were planned between east and west. One would branch off from the north to south line at Warsaw, and be connected with the Galician oil deposits; it would pass through the Lower Silesian coalfields to the Central European brown coal deposits at Halle, where it would cross the north to south line from Norway to Italy, then through the Western German hard and soft coal districts and Treves to Paris, where it would link up with the Calais to Lisbon line. The second east-west line would begin at Rostoc, in the Donetz coal district, would pass near the Dnieper water-power, to Odessa, where power works on the basis of Caucasian oil could be erected, and then through Rumania.

The line would run from Bucharest through the great, still unexploited water forces of the Danube, via Budapesth to Vienna, where it would meet the third north to south line. From Vienna the line would run through the water forces of the Austrian Alps and through the whole region of the Swiss and French Alps to Lyons, there to meet the Calais to Lisbon line. The main north to south line would be about 1,875 miles long, which

would also be about the length of the line from Rostov to Lyons, while the approximate length of all the five lines would be 6,250 miles.

Dr. Oliven estimated that the cost of construction of this vast network, with transforming and other stations, would be about £100 million, and believed that an international loan might be floated on reasonable terms. The working costs and renewal expenses he estimated at 2 per cent, so that altogether interest on capital expenditure, amortisation of the capital, and general working expenses would require about £6,500,000 per annum, which, he calculated, meant that the average cost of the transmission of electrical energy within the European network would be 1.1 pfennig a kilowatt hour. A period of three years would have to elapse for working out the plan and for concluding international agreements, and probably a further three years before a considerable part of the scheme was in running order.<sup>1</sup>

In its proposals to the Commission of Inquiry for European Union, in April, 1931, the I.L.O. referred to the problem of an international distribution of electric power already raised by the Belgian Government in a memorandum to this Commission. In May, 1931, a French writer,<sup>2</sup> referring to reports presented to the French National Economic Council, discussed the problem of an international entente on the distribution of electric energy. "Is it," he asked, "advisable to centralise at Geneva, all European energy?" A challenging conception!

Undoubtedly to create a European electric system would be to create a community of economic interests between the different countries that would consolidate peace. It alone could make probable a rational, intensive exploitation of Europe's vast resources, which is prevented now by a lack of co-ordination of the electricity policy of the various countries. A vital League task

<sup>1</sup> Transactions, Second World Power Conference, Berlin, 1930, Vol. XIX. pp. 30-9.

<sup>2</sup> Allard, *op cit.*

should be to stimulate—and even to initiate—the juridical bases of such co-ordination, which should be within the League's framework.

In his presidential address to the Fifth International Electricity Congress, in Paris, in July, 1932, M. P. Janet emphasised the great necessity of international collaboration in electrical matters. At present the League is carrying out an investigation, at the Belgian Government's suggestion, to prepare the way for the progressive political and administrative unification of international transport and transit of electric power and to draft a general programme for the rational development of the European system. It has assembled considerable information on the administrative and legislative aspects of the problem and has sent a questionnaire to Governments asking for information about the technical and economic aspects.

International exchanges of electricity have developed, especially in Canada and Switzerland. Thus, in 1929, Canadian export of electricity to the U.S. was 1,444,208,440 kwh.; and Canadian import of electricity from the U.S. was 6,015,519 kwh. In 1922, Swiss exports were 462 million kwh. (23·3 per cent) and in 1929, 1 milliard 59 millions (28 per cent). France, Italy and Germany absorbed the greater part of Swiss exports. French exports were 510 million kwh. in 1928, of which 500 millions to Switzerland (by a 260 km. line linking, via Delle, the Swiss station Goesgen to the French post, Pouxoux). Total French imports and exports of electric energy in 1928 were 588 million kwh. German imports and exports of electricity in 1929 were, 302 million kwh. and 177,800,000 kwh. respectively.

#### (d) BANKING AND FINANCE<sup>1</sup>

What international experience has been gained in regard to co-operation in monetary and financial affairs?

<sup>1</sup> See, *inter alia*, *A History of the Latin Monetary Union*, by H. P. Willis, 1901.

(1) *Latin Monetary Union*

Before 1848 there were many and varied native monetary systems in Switzerland: eleven monetary units existed. In 1848 the chaos was overcome and the central Government assumed control of monetary affairs; and the 1874 Federal Constitution re-affirmed this right. The Italian States, like the Swiss Cantons, before independence and unification were established, each had a separate system of coinage, cherished as a proof of autonomy. In 1862, Italy adopted a new monetary system. In 1865, Belgium suggested to France that a joint monetary Conference should be called; and Italy and Switzerland were invited to a Convention held in November and December of that year. A Convention was concluded between the four countries whereby they agreed to assimilation of their gold and silver coins. Various conferences defining the policy of the Union were held in subsequent years. The Union came to an end in 1927.

(2) *Other Monetary Conferences*

In 1867, the French Government initiated an international monetary Conference at Paris, at which an attempt to get a universal adoption of a single gold standard and decimal system failed. Further conferences, initiated by the U.S. Government, and held in Paris, in 1873 and 1892, failed to reach agreement. Further international Conferences on monetary problems were held, as previously indicated, at Brussels (in 1920), Genoa (1922) and London (Monetary and Economic Conference (1933)).

(3) *The Bank for International Settlements*

Reference has already been made to the formation of the B.I.S. as a step forward in international monetary and financial co-operation. The Experts' Plan, in 1929, recommended as the Bank's first object the promotion of co-operation between central banks; and this was

declared in its statutes. For years economists, political leaders and national and League experts have emphasised the necessity for this collaboration. The 1922 Genoa Conference recommendation to this effect recurred in the 1931 Macmillan Committee's Report (Great Britain), in reports of the Gold Delegation of the League Financial Committee, in the Monetary and Economic Conference Resolutions and in statements of monetary policy of sterling area and gold block Governments.

(4) *International Bureau for Public Securities*

In January, 1932, at a meeting of representatives of British, French, Belgian, Luxemburg, German, Dutch, Spanish and Swiss Stock Exchanges, at Brussels, Belgian representatives proposed to form an International Bureau for Public Securities, to link up stock exchanges and to encourage them to create a special category of international negotiable bonds to facilitate the circulation of capital according to the needs of the moment.<sup>1</sup> The proposal was adopted. The Bureau was to be organised under the auspices of the International Chamber of Commerce, in Paris.

(5) *International Conferences on Credit Insurance*

The first International Conference on Credit Insurance was held in London, in 1927; and was followed by Conferences in Paris, Berlin and London. In October, 1935, the fifth Conference, at Vienna, representing all the main European countries, renewed discussions on international co-operation in insurance of credit risks and various forms of Government aid to credit insurance in different countries.

<sup>1</sup> *The Times*, 25-26.1.32.

## CHAPTER IV

### METHODS OF INTERNATIONAL COLLECTIVE INTERVENTION

THIS growing volume of world economic co-operation has involved the adoption of a variety of methods of international collective intervention. Private undertakings have been driven in a collective direction. Governments have taken an active part in this experience, both within and outside the League of Nations. Numerous undertakings are owned or operated jointly by Governments. Governments have participated in international "mixed" undertakings. They have concluded Agreements with one another regarding economic and industrial enterprises. In some schemes of international control they participate with private producers. Economic experience of a collective tendency also is found in the practice of organised barter and compensation trading and, of course, in the international co-operative movement.

#### (a) CO-OPERATION BETWEEN GOVERNMENTS OUTSIDE THE LEAGUE OF NATIONS

A wide variety of forms of inter-Government co-operation (actual or proposed) in owning and operating or controlling industrial and economic undertakings and services has emerged. Mention already has been made of the comprehensive governmental organs of economic co-operation devised to regulate postal, telegraphic and radio and (to a lesser extent) submarine cables communication and of the special schemes agreed upon by Governments to regulate production of such raw materials as rubber, tea, tin and potash. Here are other examples

of various forms of such governmental co-operation, varying in degrees of closeness.

(1) *Inter-Government Control or Co-operation through Special Commissions, Committees or Bureaux*

(a) *International Control of Rivers*

(1) *The Danube*.—The 1856 Treaty of Paris created a European Commission, representing States signing the Treaty and a Riparian Commission representing only riparian States. The former was to be disbanded after discharging certain tasks allotted to it. Nevertheless, it became permanent instead of the other; and an 1883 Treaty extended its powers for twenty years, with renewal every three years. The 1919 Treaty of Versailles re-established the European Commission for the Maritime Danube, broken by the war; but limited it provisionally to representatives of Great Britain, France, Italy and Rumania. The rest of the Danube, the Fluvial Danube (Ulm—Braila), was put under an International Commission, comprising two representatives of German riparian States, one representative of each other riparian State and one representative of each non-riparian State represented in the future on the European Commission. This was to have provisional administrative powers. If a canal, Rhine—Danube, were projected Germany would apply to this the régime of free and equal navigation. The 1921 Paris Convention established the definite statute for the internationalised Danube: it was signed by twelve European Powers, France, Belgium, Great Britain, Greece, Italy, Rumania, Yugoslavia, Czechoslovakia, Germany, Austria, Bulgaria and Hungary. The Maritime Danube was placed under the European Commission: the Fluvial Danube was entrusted to an International Commission. The *European* Commission was composed provisionally of representatives of France, Great Britain, Italy and Rumania—one delegate each. Other interested States could have a representative admitted by a unanimous

decision of the Commission. The *International Commission* comprised two representatives of German riparian States, and one representative of each other riparian State and of each non-riparian State represented on the European Commission. By Agreement between the co-riparian States (Yugoslavia and Rumania) and the International Commission, technical services and special administrative services were to be created for the upkeep and improvement of navigation of the *Iron Gates and Cataracts*.

This international control has full sovereign rights over the river, according to an advisory opinion of the World Court.<sup>1</sup> Its finances come from levying tonnage dues: its headquarters were movable. Disputes on interpretations of the 1921-2 Statute can be referred to the League.

(2) *The Rhine*.—The 1868 Mannheim Convention created an Advisory International Navigation Commission comprising delegates of riparian states. The Versailles Treaty maintained this Convention provisionally, though it was soon to be revised; but modified it, by creating instead of the former Commission a new Central Commission of Nineteen members representing Holland (2), Switzerland (2), the German riparian States (4), France (4), Great Britain (2), Italy (2), and Belgium (2) with a President appointed by France. Germany agreed that its powers should be extended if necessary to the Moselle, and the Rhine between Basle and Lake Constance, with Swiss and Luxemburg approval.

(3) *The Congo*.—The General Act of Berlin, 1885, confided control over the Congo rivers to a European Commission similar to that existing for the Danube. This Act was supplanted by the 1919 Convention of St. Germain-en-Laye establishing freedom of navigation on African rivers.

(4) *Elbe, Oder and Niemen*.—The Versailles Treaty

<sup>1</sup> Mr. Blackburn says that one day it will be accorded membership of the League of Nations! See *Current History*, September, 1930, p 1154, "International Control of the Danube".



declared internationalised rivers: the Elbe (from its confluence with Moldau to the sea, and the Moldau from Prague to its meeting with the Elbe); the Oder (from its confluence with the Oppa); the Niemen (Russ-trow-Memel-Niemen) from Grodno; and the Danube from Ulm. A general provisional régime was instituted till a General Convention under League auspices should be established. The Elbe was put under an International Commission of ten: four German; two Czechoslovakian; one British, one French, one Italian and one Belgian member. The Oder was to be administered by a Commission of nine: a Pole, 3 Prussians, a Czechoslovakian, a British, a French, a Danish and a Swedish member. For the Niemen was to be created, on the demand of a riparian State, an International Commission, of a representative of each riparian State and three representatives of other States specified by the League of Nations. Conventions at Dresden in 1922 and Prague in 1923 regulated the Elbe.

(5) *Vistula and Maritsa*.—The treaty recognising Poland also suggested internationalisation of the Vistula and the Maritsa.

(6) *The Scheldt and the Rhine*.—The Holland-Belgium 1925 Treaty regulated the Scheldt and created a mixed commission representing equally these two countries. Over the network of waterways formed by the meeting of the estuaries of the Rhine and the Scheldt applies the international law of Europe as laid down in the Articles of the Vienna Congress, establishing freedom of communications and imposing certain duties upon the riverain banks and the navigable channels.

(7) *Chinese River Commission*.—(1) *Huangpu (or Whang-poo) River*: Under the Final Protocol between China and the Great Powers (Peking, 1901) the improvement of this river was put under the direction of an international Commission or Conservancy Board which had to regulate navigation and construct and maintain improvements. The Board, with headquarters at Shanghai, comprised the Taotai, the Shanghai Commissioner of Customs,

two members each from the Consular Body, Shanghai General Chamber of Commerce and Shanghai shipping interests, a member of the Municipal Council of the French Settlement and an official representative of each of the Great Powers interested in Shanghai. Nothing definite followed this agreement; and a 1905 Agreement gave China alone control, except that if this were not effective the Powers might revert to the original Board.

(ii) *Pei-ho River*: The above Treaty also provided for improvement of this river under an International Commission; but in 1908 this Commission delegated its powers to another body.

*(b) German-Czechoslovak Regulation of Hamburg Harbour Accommodation*

A German-Czechoslovak Agreement was reached regarding harbour accommodation for Czechoslovakia at Hamburg, as contemplated in the Versailles Treaty. In Articles 363 and 364 of this Treaty it was stipulated that in the ports of Hamburg and Stettin Germany should lease to Czechoslovakia for ninety-nine years areas to be put under the free zone régime and to be used for the direct transit of goods to or from Czechoslovakia. The delimitations of areas, the rental, and the conditions of their use were to be decided by a Commission comprising one representative each of Germany, Czechoslovakia and Britain.

*(c) Nauru Phosphates*

In 1919 the Australian Commonwealth, New Zealand and British Governments bought the Nauru and Ocean Islands phosphate deposits, which were managed by a Commission of three, appointed one by each Government: output was to be divided in proportion to the purchase money contributed by each Government. These Governments obtained a monopoly of all phosphate rock.

(d) *Inter-government Permanent Agricultural Bureau*

The Twentieth Assembly of the International Parliamentary Commercial Conference, held in London, in October, 1935, passed a resolution submitted by its Permanent Agricultural Committee, asking the Permanent Bureau of the Conference to invite the Governments of Central Europe to set up a Permanent Agricultural Bureau in order to co-ordinate their agricultural interests, so as to ensure the normal disposal of their cereal surpluses. The Italian delegation wanted the Conference itself to appoint the Committee.<sup>1</sup>

(e) *Trans-continental European Motor Road. (London to Golden Horn)*

The International Touring Conference, meeting at Budapesth, September, 1935, set up a permanent Committee to deal with the problem of the trans-continental high road from Calais to the Black Sea,<sup>2</sup> comprising eighteen members, two nominated by each State concerned.<sup>3</sup> Road-building or reconstruction has begun in Yugoslavia, Bulgaria and Rumania, the Governments of which have voted large sums of money for the scheme: each country will pay for that part of the road within its own frontier. The road will be completed by 1938; and then motorists will be able to travel from London to Constantinople with one set of Customs papers, to refuel at regular intervals and be helped by standardised signs all along the two thousand miles of main road, having the aid of official guides and interpreters at frontiers. Representatives of the Governments met, at Budapesth, just before this Conference, to agree upon a policy.

<sup>1</sup> *The Times*, 5.10.35.

<sup>2</sup> With a ferry service from Dover, and running via Ostend, Brussels, Cologne, Frankfurt, Nuremberg, Vienna, Budapesth; then forking, one branch going via Bucharest and Constantza and the other via Sofia and Constantinople.

<sup>3</sup> *The Times*, 17.9.35.

- (2) *Direct Inter-Government Participation in Mixed Companies or Corporation*
- (a) *Ex-French-Rumanian International Air Navigation Company*

A narrower form of international governmental collaboration was provided by this Company, now controlled by the Cie. Transatlantique and the Cie. Messageries Maritimes. This Company, formed in 1920, for ninety-nine years, served France, Switzerland, Austria, Hungary, Czechoslovakia, Rumania, Yugoslavia, Turkey and Poland. The capital was split into two parts. Seventy-six per cent of the shares were for ordinary shareholders, non-disposable to third parties except as agreed by the Administrative Council and the State. Twenty-four per cent were freely disposable, except that they must be ceded to the profit of nationals or Companies of States-Members of the League. The Czechoslovak Government acquired 20 per cent of the share capital. The administrative council included members of the States served by the Company. Czechoslovakia, as shareholder, was represented by two high civil servants, the Ambassador at Paris and the Director of State Aeronautics at Prague. The Company concluded with the States served conventions assuring it privileges and subventions, which also benefited the countries served. It obtained a ten years' convention with the French Government for subventions; a ten years' convention with the Czechoslovakian State, which gave it an annual subvention and a ten-year monopoly of lines exploited; a ten years' convention with the Polish State, which gave it 50,000 litres of spirit per annum and a ten-year monopoly of lines exploited; a ten years' convention with the Austrian State which gave it certain advantages; a five-year convention with the Hungarian Government; an Agreement with the Yugoslav Government, which gave it an annual subvention and a monopoly of the line; a twenty-year convention with the Rumanian State,

which gave it an annual subvention and a twenty-year monopoly; and a convention with Turkey, giving it a long-term contract and other advantages. By these concessions given to the Company certain States, not represented, as Czechoslovakia was, by administrators in the Administrative Council, obtained representation by Government commissioners, who could sit with the Council, like the French Government delegates. This was a French Company and the French State gave bonuses in some relation to the subventions given by foreign States. Thus the curious position was reached that super-bonuses allotted by the French State or profits which the latter drew were functions of subventions supplied by foreign States. A French Company, patronised by the French Government, operated an international system due to concessions from foreign States. Its capital was divided so that, with the French State, it controlled 76 per cent of it; and 20 per cent was controlled by the Czechoslovakian State. Nearly all States served gave subventions in money or in kind, which were taken into account by the French State. Representative administrators of the Czechoslovak Government, in their capacity as administrators, could learn of conflicts between the French State and the Company. Government commissioners from France, Poland, Yugoslavia and Rumania took part in council work. Further, the French State, according as to whether this international management proved successful or unsatisfactory, took profits or bore losses.

*(b) Dutch-German Cable*

Government initiative created this mixed enterprise. By a 1901 Convention the German and Dutch Governments agreed on a common effort, through an undertaking administered by the two countries, to establish a cable, Menado-Isle of Palan, Isle of Yap, the Isle of Guam or another point near the American Pacific Cable. Landing rights were to be granted, to the Company to be formed, by the two Governments, for

forty years—the Company to receive an annual subvention of 1,400,000 marks, Germany contributing 1,025,000 marks and Holland 375,000; the States reserving the right to approve tariffs and to take 90 per cent of the gross product of telegraphic charges.

The above Company was formed in 1904 with a German and a Dutch director appointed by their respective Governments. Two-thirds of the members of the Administrative Council must be of German or Dutch nationality. A representative of both Governments was entitled to attend all meetings of the Administrative Council and the General Meetings of shareholders. Fixing of tariffs, Agreements with other Companies and foreign States, must be approved by the two Governments.

The Treaty of Peace took away Germany's submarine cable system (Annex VII of the Part of the Treaty relative to Reparations). Holland protested that without her sanction Germany could not dispose of the cables. As a solution, ultimately, the matter was referred to the Reparations Commission at the Inter-Allied Washington Conference, 1920. The three cables were provisionally shared between America, Japan and Holland.

(c) *State Bank of Morocco*

This is a large, mixed, international organisation, strongly governmental in character. Jealousy between the Great Powers owing to French financial action, led to a 1905 Agreement whereby a State Bank was created. Eleven-thirteenths of the capital were subscribed by the eleven contracting powers which signed the Act of Algeciras, including France, and two-thirteenths by the French Consortium. It was provided that the Bank of Germany, Bank of England, Bank of Spain and Bank of France, each should appoint, with the agreement of its Government, a Censor to watch over the proper functioning of the Bank. The French Consortium designated the Bank of Paris and of the Netherlands to

subscribe to its two allotted shares. Thus the Governments were not personally shareholders but they nominated, directly, their representatives to supervise affairs. By Article 145 of the Versailles Treaty the German Government had to assure the transfer of its shares to a French Government nominee; their value, fixed by the Reparations Commission, being paid to this Commission to Germany's credit for reparations. The French Government nominated the President of the Bank of Algeria. A similar clause of the St. Germain and Trianon Treaties provided for the transfer of the Austro-Hungarian shares to the French Consortium, which shares were bought direct by the French, thus giving France five shares out of thirteen.

(d) *Moroccan Concessions*

Franco-German rivalry for concessions and public works ended in a 1909 Agreement for sharing the opportunities, by means of bipartite companies supported by both Governments.

(e) *Suez Canal*<sup>1</sup>

The Suez Canal Company was established in 1856 by the Viceroy of Egypt's Decree and confirmed by the Sultan of Turkey in 1866; when it got a ninety-nine years' lease from 17th November, 1869. When the Concession expires, in 1968, the Company will pass to the Egyptian Government. When it was formed the French applied for over 50 per cent of the issue. The Viceroy of Egypt took up the balance of the shares, 44 per cent. Certain shares allotted, under the Concession, to the Khedive were bought in 1880 by the Crédit Foncier. The British Government (through Disraeli) bought the above 44 per cent (176,602 ordinary shares) from the Khedive for £3,976,582, in 1875; and

<sup>1</sup> See, *inter alia*, *Stock Exchange Year Book*; *Manchester Guardian*, 11.5.33, article on the Suez Canal; *The Times*, 13.5.31, letter from Lord Inchcape; *Evening Standard*, 15.8.35; and *The Times*, 17.5.33, report of a speech by Sir A. Wilson.

they are still held by it. Then three British Government nominees were appointed to the Board; and in 1883 seven non-official British directors were added at a London Conference. The Egyptian Government had a Commissioner in the Company. The Company's real headquarters are in Paris. It is answerable to French Courts regarding matters affecting French shareholders (owners of about half the capital); but it is under Egyptian law in every other respect. An 1877 (Constantinople) International Conference provided for a certain degree of neutralisation of the canal in a Convention, which, in 1904, was ratified; whereby Great Britain obtained strategic control, leaving the preponderant French shareholders and the Board administrative and financial control. In 1934, the British Government had 292,226 ordinary shares and 61,278 *actions de jouissance* (out of a total of 800,000 shares), giving it about a 44 per cent holding. Britain's say in the Company's government is a small one, because the Statutes stipulate that no one shareholder can have more than ten votes. In the shareholders' meeting Great Britain thus has no strong voice. The Council of Administration comprises 32 members, of which Great Britain has 10, France 21, and 1 is Dutch. The Statutes say that the Board must represent the chief nationalities interested. Before the war Germany had a member, but no invitation to return has been given. Italy has no representative—which is quite unfair, in view of her position in shipping. British representatives on the Board comprise three official directors and seven unofficial directors, representing shipping and commercial interests. The French Government owns no shares—though it benefits through taxes. Originally the Sultan fixed the toll rates. In 1873, an International Conference fixed them at a high level. When the British Government took shares it arranged for successive tariff reductions. In 1884, the maximum rate was ten francs; and later it was agreed to lower this on a sliding scale as dividends rose, and that after the latter reached



25 per cent all surplus profits should go to reduce rates till these were five francs a ton. A percentage of profits goes to the Egyptian Government and to the employees.

Interesting suggestions have been made: to make the Company really a public utility concern, with lower rates; and also to give the British Commonwealth more control. Sir A. Wilson<sup>1</sup> urged Britain to sell parts of her shares to the Governments of Australia and New Zealand, to the various Governments of India, and to the many Colonial Governments from East Africa to Shanghai in order to give the Commonwealth more votes—and control! More valuable suggestions have been made, however, for the calling of an International Conference under the auspices of the League Economic and Financial Organisation. Disraeli proposed, in 1875,<sup>2</sup> that it should be controlled by an International Commission similar to that which regulates the Danube.<sup>3</sup> Undoubtedly, as the international problems raised by Italy indicate, this is essentially an international service; and it should be under a Public International Authority's supervision.<sup>3</sup>

#### (f) *Ethiopian Railways*

The 1906 Treaty gave France, Great Britain and Italy Administrators' seats in the Directorate of the existing railways or those to be created.

#### (g) *Tangiers-Fez Railway*

This was built and worked by an International Company financed under the guarantee of the French and Spanish Governments, 60 per cent of the capital being French and 40 per cent Spanish. It was opened in 1927.

<sup>1</sup> Addressing the Royal Empire Society, on 16th May, 1933.

<sup>2</sup> *Manchester Guardian*, 11.5.33, article by "A Correspondent".

<sup>3</sup> The Suez Canal was a main subscriber to the initial capital of the Union Internationale des Placements, founded in Luxemburg, in April, 1931.

(h) *Iraq Railways*

Under the Notes exchanged between the British and Iraq Governments, in August, 1930, regulating the transfer of these railways to Iraq, legal ownership was transferred by the U.K. to the Iraq Government, with administration and management through a special Corporation, constituted by a special Statute of the Iraq Legislature according to terms approved by both Governments. Of the capital of this Corporation sums were allotted to the U.K. and Iraq Governments; the latter Government had the option to buy at any time the stock allotted to the U.K. Government. The Board of the Corporation comprised five directors, two each appointed by the two Governments and a fifth, the Chairman, appointed by both in agreement. In October, 1935, the transfer of ownership to the Iraq Government (on payment to Great Britain of £400,000 and on condition that a limited number of British technical officials would be retained for a limited period) was announced. The railways were to be managed by a Board with an Iraq majority.<sup>1</sup>

(i) *Trans-Sahara Railway*<sup>2</sup>

In 1928, the French Government set up a Special Commission to examine this scheme; and it reported to a special Committee in 1929. This reported favourably in 1930. It advocated that shares should be subscribed by the French State, the French Railways (under public control—one a State concern), Algeria, Tunis, Morocco and French West Africa—with debentures sold to the public. A Bill was drafted in 1931 and the Government drafted a similar Bill. Later still, yet

<sup>1</sup> *The Times*, 4.10.35. See also *The Times*, 4.4.36, regarding the signing of the final Agreement, which stipulated that, for twenty years, six posts should be filled by British subjects, two of whom (one, the general manager) would be members of the Board.

<sup>2</sup> See, *inter alia*, *Revue Economique Internationale*, September, 1931; *Renseignements Coloniaux*, No. 9/31; *Revue Economique française*, January–February, 1932; and *L'Economie Nouvelle*, May, 1932.

another Bill was framed. In January, 1931, the Colonial Economic Committee of the International Colonial Exhibition in Paris decided to invite Great Britain, Belgium and Italy to appoint delegates to a new international committee, to consider the future organisation of the Trans-Saharan Railway. France wanted to expand it into a much bigger undertaking of all Powers with African possessions. When the French section from Oran (Algeria) to Gulf of Guinea (via Gao [Niger], Niamey and Dahomey) ended it wanted the international section to start, with Great Britain running a line along the Niger to join the British railway scheme in Nigeria; and, in order to allow the extension from Nigeria via the Cameroons and French Equatorial Africa, a Belgian continuation through the Belgian Congo, and thence eastwards, linking up with the British railways at Kisumu, Kigoma (Ujiji) or Bukoba, in East Africa; with Uganda, Kenya Colony, Tanganyika and Northern and Southern Rhodesia concerned in this scheme. Italy wanted to build a railway from Tripoli to Lake Chad, across the desert. Belgian Colonial authorities expressed their support.

(j) *Bank for International Settlements*

This is managed by the national Central Banks; but these work in close touch with their Governments. Its authorised capital was to be issued in equal parts in the seven leading countries concerned.<sup>1</sup> Shares would carry no voting rights, which would be exercised by the Central Bank of a country according to the number of shares first issued in that country. Administration was put into the hands of a Board of Directors. The Governor of the Central Bank of each of the seven leading countries to which the Experts' Committee's members belonged was to be a director, ex officio, and could nominate another (national) director. While the period of German annuities lasted French and German Governors might appoint an extra director. These fourteen (or

<sup>1</sup> With only 25 per cent of each share called up at first.

sixteen) could appoint nine others from a list supplied by other countries' Central Banks, including Governors of such Central Banks. It was suggested that as the U.S. Government would not entangle itself two seats on the directorate should be given to U.S. bankers. Provisions were made regulating profits, including allocations to reserves, maximum dividends and percentage allocations to Governments and Central Banks. This Bank appeared to be designed to discharge, in relation to the national Central Banks, a similar function to that performed in relation to Joint-Stock and Private Banks in England, by the Bank of England. The Bank could enable the co-operation of Central Banks to stabilise gold values as recommended by the 1922 Genoa Conference, could issue bonds in any country and for other than reparations purposes, could lend to Central Banks to regulate the exchanges, on which it must exercise a great influence; and could invest big sums in Germany if it seemed difficult to send reparations abroad; as well as take deposits from Central Banks. It could even help to finance and develop new markets, enabling Germany to place her exports. In short, it would wield a dominating influence over international exchange and finance. The Bank was designed not merely to become a concern mainly for handling reparations, but to supply important facilities to the world of international commerce and finance.

(k) *British-Australian Oil Co-operation*

The Anglo-Iranian Oil Company, controlled by the British Government, has 49 per cent of shares in Commonwealth Oil Refineries, Ltd., of which the balance is owned by the Australian Commonwealth Government.

(3) *Government Co-operation in International "Mixed" Company, through participation in a constituent group.*

*Iraq Petroleum Company*

The Iraq Petroleum Company is an extremely interesting form of inter-governmental co-operation. In

1931, its share capital was distributed thus: Anglo-Iranian Oil Company (through the D'Arcy Exploration Company),  $23\frac{3}{4}$  per cent; Royal Dutch Shell group (through the Anglo-Saxon Petroleum Company),  $23\frac{3}{4}$  per cent; French group (through the Cie. Fr. des Pétroles, in which the French Government is interested),  $23\frac{3}{4}$  per cent; American group (through the N.-E. Development Corporation, in which the Standard Oil and large independent oil companies are interested),  $23\frac{3}{4}$  per cent; and Mr. C. S. Gulbenkian (through Participations and Investments, Ltd.), 5 per cent. Originally it obtained a 75-year concession (after which the Government would take it over) under the 1925 (14th March) Convention, and was allowed three years (later extended to November, 1930) to undertake a survey and select certain plots of land. Under the 24th March, 1931, Agreement between the Company and the Iraq Government it obtained sole concessionary rights over that part of the Provinces of Mosul and Baghdad east of the Tigris, thus preventing rival Companies securing part of the Baba Gurgur field (near Kirkuk) and starting competitive drilling such as injured the U.S. oil industry. The Company agreed to build a pipe-line from Kirkuk to the Mediterranean, with two terminals, one each at Haifa (Palestine) and Tripolis (Lebanon)—the latter to suit the French; although, it was stated, bifurcation could not be justified on commercial grounds. The Company was to pay royalties to the Government. The new Agreement and transit conventions made just previously with the Governments of Palestine, Transjordan, Syria and the Lebanon, enabled the Company to build the 1,200 miles of pipe-line across the desert (costing approximately £10-12 million). The enormous difficulties inseparable from such an undertaking were overcome by peaceful, inter-governmental collaboration; and, in 1934, the line was opened.

(4) *Government Contract with a Special Company (with Co-operative Participation) in another Country*

*Swedish-Persian "Mixed" Concern.*—An interesting form of international "mixed" concern was formed in July, 1931, when the Iranian Government signed a contract with a Swedish Company for an extensive exchange of Iranian and Swedish goods through a special Swedish company to be formed for the purpose; which would comprise eleven Swedish concerns, including the C.W.S. (for importing Iranian goods), which would market the large amounts of dried fruits and Iranian produce, such as rugs and carpets, to be imported. The Company was to act as a kind of clearing house. A Company's representative would go to Iran to buy goods; and the Iranian Government would give it a credit at the National Bank in Teheran. The Company was to place at the Iranian Government's disposal a corresponding sum in dollars to cover purchases in Sweden.

(5) *Specific Agreements or Treaties between Governments*

*Franco-German Air Co-operation.*—A 1926 Convention between Germany and France allowed a German Company to operate an air line, Geneva—Lyons—Marseilles—Barcelona, and a French Company, Paris—Strasburg—Nuremberg—Prague—Berlin—Warsaw. A country may renounce any intention to go beyond certain areas and allow foreign Companies to provide extensions. Thus French Companies get, at Cologne, liaison with Berlin via Luft-Hansa, at Amsterdam liaison with Hamburg—Malmoe via a Belgian Company, and at Cologne, liaison with Hamburg and Copenhagen via Luft-Hansa.

*Anglo-Dutch Air Co-operation.*—A reciprocal Agreement between the British and Dutch Governments provided that the British Government and the Government of India would grant facilities to the Dutch Government for the extension of the Dutch East Indies Air Mail to Australia, in exchange for a British service to Australia

via the Dutch East Indies. The British service to Australia was expected to co-operate with the Dutch service.

*Greco-British Air Co-operation.*—In 1931, an arrangement was made between Imperial Airways (with Government participation) and the Greek Government for the former's use of the latter's airports.

*Basra Port.*—By Notes exchanged between the British and Iraq Governments, in August, 1930, the Port of Basra was transferred to the Iraq Government, with administration by a Trust in agreement with the British Government.

*Portugal-Spain Douro Water-Power Undertaking.*—In 1927, a Treaty between Portugal and Spain regulated the utilisation of the water-power of the Upper Douro, under the Spanish-Portuguese International Commission. A Concession was given to a Spanish-Portuguese Company to exploit the falls.

*Nile Waters.*—The May, 1929, Agreement between the British and the Egyptian Governments provided for co-operation in regulating the use and in the exploitation of the Nile waters, and in the conduct of extensive preliminary surveys over a large area, to open up swamp areas and benefit the Egyptian people. The Egyptian Government agreed to accept, with certain provisos, the findings of the 1925 Nile Commission which had been set up to report on an equitable division of water between Egypt and the Sudan, and approved of detailed working arrangements which should in future govern the operations of the Makwar Dam. The British Government agreed that, except in agreement with the Egyptian Government, there should not be constructed on the Upper Nile, in territories under British administration, any irrigation works that might prejudice Egypt's interests by reducing the quantity of water arising in Egypt or by modifying the date of its arrival. The British Government promised to assist in all necessary measures for the complete study of the Nile and agreed that the Egyptian Government should have direct con-

trol of the construction, maintenance and administration of any works that it might construct in the Sudan, provided that beforehand it agreed with local authorities on measures for the protection of local interests. These provisions have resulted in the smooth working of the Makwar reservoir and development and extension of the Gezira area in recent years. Both Governments simultaneously keep a very careful account of the water used, and the arrangement has proceeded without a dispute regarding water supply. The second provision of this Agreement, in creating an atmosphere of mutual trust, enabled the Egyptian Government to go ahead with the major control works on the Upper Nile, which are very vast and of a far-reaching kind. Important exploration work is occurring, the progress of the many surveys necessary being made possible by British Government co-operation according to the above Agreement. Such work at present occurs at: Lake Tana (Abyssinian hills); source of the Blue Nile; Lake Albert, a key position of the headwaters of the White Nile; and north of Mongalla where, around the swamp area, a diversion of the Nile is completed. Many years of preliminary surveys and investigation over a huge area are necessary, and the above Agreement for co-operation between these two Governments will be very fruitful in providing more land and food for the Egyptian people.

*U.S.—Canadian Government Co-operation: River St. Lawrence.*<sup>1</sup>—Ontario shares with the U.S. the power resources of the Niagara and an International Treaty limits Canada to a diversion of 36,000 and the U.S. to 20,000 cubic feet per second; likewise the power resources of the St. Lawrence contiguous to Ontario territory are shared by them. In February, 1931, the U.S. Senate Foreign Relations Committee rejected the 1929 Canadian-American Convention for the preservation and improvement of Niagara Falls, whereby the two Governments agreed to accept the offer of the Hydro-

<sup>1</sup> See, *inter alia*, *The Times*, 19 7 32 and 20 7 32, 15 3 34 and 12 9 34, and *U.S.D.*, 8-4 33



Electric Power Commission of Ontario and a New York Company to carry out at their own expense certain remedial work and build a weir involving diversions of water on either side exceeding those allowed by the 1909 Treaty. The Committee objected to this work of beautification being undertaken by a private Power Company and wanted it done directly by the U.S.

With regard to developments in the International Rapids Section, as early as 1926, a Joint Board appointed by the U.S. and Canadian Governments presented a report on the development of this section, which was the basis of all subsequent talks about costs and construction plans. The International Joint Commission was formed to regulate, between these two countries, difficult problems of navigation of this river.

In July, 1930, a plan for a two-stage navigation and power development in the international rapids section was put forward in a report of a Conference of Members of the Canadian Section of the Joint International Board of Engineers of the Ontario Hydro-Electric Power Commission, with a view to agreement between the Ottawa and Federal Governments. In January, 1931, the U.S. Members of the Engineering Board of the St. Lawrence Power Development Commission put forward a plan for developing 2 million h.p. of electricity, by building one dam at Massena Point, New York, instead of two farther upstream as suggested in the Canadian engineers' "Crysler Island" scheme. This American plan was to be put before the Government of New York and would need approval by the Canadian and U.S. Governments. There was, at the same time, a plan, widely supported, for making the river a waterway for ocean steamships carrying freight from the Middle-West; and the Canadian Commission considered, in February, 1931, the construction of the St. Lawrence Canal for this purpose.

In May, 1932, the Canadian Federal Ministers and the Ontario Premier reached an agreement about the apportionment of the cost of the joint navigation and power developments on the international section.

Ontario was to receive, for its contribution to the power development, to be raised by the Hydro-Electric Commission, Canada's half-share of the 2 million h.p. to be developed. It was announced that the U.S. engineers had agreed eventually to the two-stage plan. On 18th July, 1932, was signed the St. Lawrence Waterway Treaty between Canada and the U.S., providing for joint co-operation in the engineering works necessary to provide a canal on which ocean-going ships and heavy draught lake cargo boats might carry cargoes uninterruptedly up and down the Great Lakes-St. Lawrence waterway, and to exploit the vast resources of hydro-electric energy that the dams necessary to the development of the navigation system would make available immediately. The scheme would provide a channel from the Gulf of the St. Lawrence to the wheat silos of Fort William and Port Arthur and to important U.S. cities such as Duluth, Milwaukee, Chicago and Cleveland. Two million h.p. of electric energy would be generated to benefit U.S. and Canadian industries. The Treaty dealt only with the international section of the river between Ontario and New York State for 115 miles. Two dams were to be built, one at Crysler Island, and the other at Barnhart Island. On this section would be two navigation canals, of which the one on the Canadian side would be built and financed by Canada as would the ancillary rehabilitation works. On their completion Canada would own and operate them free from any U.S. supervision. On the same terms the U.S. would build locks and rehabilitation works on the U.S. side at Barnhart Island. All river works would be built under the authority and direction of a Construction Commission on which the two countries would have equal representation, and their cost would be met entirely by the U.S. For river works on the Canadian side, Canadian resources could, however, be used; and they would, on completion, be owned, maintained and controlled by Canada.

The national, or Quebec section, part of which had been developed by the building of the Beauharnois

Canal,<sup>1</sup> would be developed by Canada and with Canadian resources, and no kind of U.S. control or supervision. In the Upper Lakes section, comprising the part of the waterway between Lake Superior and River St. Clair, the U.S. would complete the work of deepening the navigation channels and improving facilities. All three sections would be developed concurrently.

An agreement with Ontario gave its Hydro-Electric Power Commission 1 million h.p. of electric energy to be developed on the Canadian side of the international section at a fair and reasonable price.<sup>2</sup>

In a statement on the Treaty the Canadian Premier said:

With regard to the vigorous opposition that has developed in Canada the Government has reluctantly come to the conclusion that it is inspired by a fear that certain monopolistic privileges will be injuriously affected. The Government proposes to give no weight to this consideration and will not tolerate any interference of big interests and their allies to their sworn duty to the country as a whole. Ontario is entitled to hydro-electric power at the lowest price at which it can be developed, and it is the duty of Quebec not to deny it this right. . . . The conclusion of the Treaty will bring many benefits by providing employment, stimulating industry, and lowering its costs of production and making possible cheaper transport. It is . . . an enduring proof of friendship between the two countries.

In his statement President Hoover said:

The conclusion of the Treaty is another step forward in this, the greatest internal improvement yet undertaken on the North American Continent. . . . Its influence will cheapen the transport of oversea goods into the interior, favourably affect the development of Middle Western agriculture and industry, and cause benefit to accrue to the North-East from its by-product of

<sup>1</sup> The Dominion Government approved the plans of the Beauharnois Power Corporation Project including a 14-mile canal, Lake St. Francis-Lake St. Louis, west of Montreal, in September, 1932; and it was arranged to transfer this canal to the Dominion Government as a link in the above waterway

<sup>2</sup> Following the above-mentioned allotment of costs, the Dominion Government to pay for the navigation works and Ontario for power works

power. These benefits are mutual with the great Dominion to the North.

The Canadian Premier promised to ask the Canadian Parliament to ratify it, as soon as the U.S. Senate accepted it. When President Roosevelt came into office he stated that this scheme would be one of his four main power development schemes to provide cheap power. The New York State Government also had to act in building the proposed electric power plants. The U.S. Federal Government reached a tentative understanding with New York State like that reached between the Canadian Federal and Ontario Governments.<sup>1</sup> Unfortunately, as the control of power resources is a highly controversial matter in U.S. politics, affecting the relations of State Governments with private interests, difficulties and delays have supervened. On 14th March, 1934, the U.S. Senate refused ratification of the Treaty: the voting was 46 for, 42 against—18 short of the necessary two-thirds majority.

In April, 1934, the U.S. Government reopened negotiations with Canada, hoping for a speedy agreement for building lake level control works in the Niagara and St. Clair Rivers. Congress authorised this project as far as the U.S. was concerned in 1930; but as the building would be international in character Canada's approval was necessary—and this was sought in vain in 1931.

*The Nice-Coni Railway.*—In 1928, the French and Italian Governments sent representatives to open a new railway between Nice and Coni. Hitherto there had been no direct connection by rail between Southern France and Northern Italy, except for the Northern line from Lyons to Turin and the coast line, Marseilles—

<sup>1</sup> The New York State Power Authority was formed in 1931 by the State legislature, following on investigation by the St. Lawrence Power Development Commission, appointed by the Governor Roosevelt. If contracts cannot be made with existing Companies for using power and its resale to consumers at reasonable rates, the Authority, with legislative approval, can dispose, otherwise, of energy developed by State plant.

Genoa. Neither provided a direct service from Turin, Milan and the important towns in the Plain of Lombardy to the south coast of France and the western section of the Italian Riviera.<sup>1</sup> Under a 1904 Agreement between these countries both Governments agreed to build, each in its own territory, a railway line linking up the two towns,<sup>2</sup> with another line<sup>3</sup> prolonging the railway to Ventimiglia. These lines were completed: 39 of the 63 miles of this railway are on French territory. Its difficult constructional problems, due to the very mountainous nature of the country, were solved, co-operatively.

*England-South Africa Air Services.*—In November, 1935, agreement was reached between the British, South African, Portuguese and other Governments regarding the development of the England-South Africa Air Service and branches after 1937.

*Trans-Atlantic Air Services.*—On 3rd December, 1935, a Trans-Atlantic Air Mail Conference, at Ottawa, between the British, Newfoundland, Canadian and Irish Free State Governments agreed that there should be an experimental Trans-Atlantic Air Mail Service following survey flights in 1936, and then, a mail and passenger service. At a subsequent Conference of the British, Canadian, Irish Free State, U.S. and Bermuda Governments, at Washington, a similar agreement was reached—on 12th December, 1935.

On 16th February, 1936, the German and U.S. Governments reached agreement, at Washington, on similar experimental trans-atlantic air services, in 1936, between Germany and the U.S.; these Governments putting their equipment at each other's disposal.

*Trans-Pacific Air Services.*—On 23rd November, 1935, the New Zealand Government agreed with Pan-American Airways (involving an Agreement with the U.S. Government) for the establishment of an air service, San Francisco-Auckland, in 1936. By a reciprocity clause,

<sup>1</sup> The only route to these places being a long way round, through Savona.

<sup>2</sup> By way of Sospel.

<sup>3</sup> Leaving the main line at Breil.

inserted after consultations between the New Zealand, Canadian, Australian and U.K. Governments, the Agreement may be cancelled if the U.S. Government refuses to allow a British service from New Zealand a port of call on U.S. territory. Pan-American Airways have a subsidy and mail-carrying arrangement with the U.S. Government to American Samoa.

(6) *Agreements between Two Governments; and between One of These and a Private Company, supported by another Government.*

A twelve-year Agreement, dated 3rd September, 1935, between the French Minister of Posts and Telegraphs and the British Postmaster-General provided for the surrender to France of the bulk of the Franco-American wireless telephone traffic previously handled by London; for compensation by France to the British Post Office for loss of traffic, or rather, for the capital cost incurred in building up wireless telephone communications between Europe and the U.S.; and for keeping charges for Paris-New York communication at the same level as for communication between London and New York. This Agreement permitted a further Agreement, on 27th September, 1935, between the French Ministry of Posts and Telegraphs and the American Telephone and Telegraph Corporation (supported by the U.S. Government), whereby direct wireless communication between Paris and New York would be open by 1st July, 1936.<sup>1</sup>

(7) *Specific Agreements between Governments, with one Government's Control of a Company*

*Anglo-Iran Oil Co-operation.*—An interesting form of inter-Government co-operation occurs in the Anglo-Iranian Oil Company. The British Government appoints two Directors to its Board and also has the right to

<sup>1</sup> These Agreements related to the Franco-American traffic between 2 p m and 10 p m. daily, the busiest hours: this traffic during the other 16 hours would continue to pass through London (*The Times*, 26 10 35).

appoint two Directors to the Board of any subsidiary. They can negative resolutions of the Board (other directors having a right of appeal to the Government). The Company is under contract to supply the British Government with fuel oil. The 1933 Agreement with the Iran Government gave it a sixty-year concession; providing, *inter alia*, for the payment of royalties and certain net profits to the Iranian Government, regulation of profits, and a promise to replace progressively its foreign employees by Iranians, and the spending of £10,000 per annum in educating Iranians in England. Differences between the parties were to be referred to arbitration, to an umpire, in default of agreement, chosen by the President of the Permanent Court of International Justice.

*German-Chinese Government Air Co-operation.*—In 1931, an Agreement between Deutsche Luft-Hansa (with State and other public participation) and the Chinese Government was announced, for opening air services between Berlin, Peking, Shanghai and Nanking.

*German-South African Air Co-operation.*—Junkers (subsidised by the German Government), in 1931, arranged a mail contract with South-West Africa.

*German-Afghanistan Government Air Co-operation.*—Between 1927 and 1931 Agreements were made between Junkers and the Afghanistan Government for extended air services in Afghanistan, connecting with the Junkers' Baghdad services, and thence with Luft-Hansa Services to Europe.

(8) *Specific Agreements between Governments through Companies in which they participate*

A French Air Company concluded a Convention with Luft-Hansa for five years for sharing traffic on the Paris-Berlin line; and by this the French Company must insure passengers at the instance of the German Company, which is legally bound to do so.

(9) *Proposed Formal Agreements*

*U.S.-Canadian Co-operation in Atlantic and Other Air Mails.*—The U.S. Post Office asked for tenders for a Trans-Atlantic Air Mail Service to start in 1932, via the Azores and Bermuda, with New York in summer and Charleston in winter, as U.S. bases, at which the link with Canada would be made. It suggested to the Canadian Government co-operation in various ways. It also wanted to co-operate with the Canadian Post Office and other authorities in services in Canada and the U.S. Proposals were made for services to the Canadian West via Chicago, Minneapolis and Winnipeg; to Alaska and thence, via the Aleutian Islands, to Japan and China.<sup>1</sup>

*U.S.-Mexican Co-operation in an Irrigation and Power Project.*—In December, 1930, the U.S. and Mexican Governments were considering a joint irrigation and power project in Texas, involving the building of four storage dams.

*Antwerp-Rhine: Belgian-Dutch Co-operation.*—The Dutch and Belgian Governments have sought to reach agreement over the communications of the Port of Antwerp with the North Sea and the Rhine. The Belgian Government advocated the construction of the Moerdijk Canal, giving a direct line of communication from Antwerp to the Rhine. It was ready to contribute directly or indirectly to the cost of this work by building on its territory a new canal from the Moselle at Liège and joining the Dutch Juliana Canal to serve the trade of Rotterdam with the Moselle Basin.

*Rhine-Rhône Waterway.*—In 1933, a proposal was made in Paris for a fluvial connection, by Franco-Swiss co-operation, from the Rhine to the Rhône—from Geneva to Basle (via the Aare valley and the Swiss lakes).

*Railway Co-operation in South-West Africa.*—In September, 1930, representatives of the Governments of

<sup>1</sup> The Canadian Postal Authorities had alternative plans; with the Aviation Corporation of Canada (supported by the Canadian National Railways and the Canadian Pacific Railways), for a service between Great Britain and Canada.



Southern Rhodesia, South-West Africa and Bechuanaland Protectorate examined a project for a railway between Southern Rhodesia and Walvis Bay and, if funds allowed, between the latter and Bechuanaland.

*Pan-American Highway.*—In April, 1934,<sup>1</sup> the U.S. Government was considering the construction of a Pan-American highway, from the United States to Buenos Ayres, by co-operative effort. Representatives of the Central American countries were also to consider it at their Guatemala Conference.

*Mont-Blanc Tunnel.*—In September, 1935, it was stated that an Agreement between the French and the Italian Governments regarding the construction of a twelve-mile tunnel under Mont Blanc (Chamonix-Entrèves) had practically been reached; and that work would shortly be begun. The estimated cost (between £4 million and £5,300,000) was expected to be recovered by the Governments from the great benefits to motorists and the tourist trade. M. Laval declared in favour of State rather than private construction as the work would benefit the whole nation.<sup>2</sup> A plan has been suggested for an equal amount of shares to be held by both Governments and the promoters, in a Mont Blanc Tunnel Company. It was estimated that the work would take about four years and employ 3,000 to 4,000 men in both countries. The idea was first mooted about 1875: tentative plans were interrupted by the Great War.

*Simplon Road Tunnel.*—Meetings of Swiss Cantons and other bodies, in the summer of 1935, envisaged the sounding of the Swiss Federal Railways, the Italian Government and the International Simplon delegation regarding the converting of one of the railway tunnels under the Simplon into a motor track for winter traffic.

*Lake Tana: Egypt-Sudan Co-operation.*—On 4th September, 1935, the Egyptian Government approved proposals for an Agreement with the Sudan regarding Nile waters from Lake Tana. Sudan was to get 10 per cent

<sup>1</sup> *The Times*, 7 4.34.

<sup>2</sup> *The Times*, 10 9.35 and 23.9 35, and *Evening Standard*, 9.9.35.

of the waters against an annual payment to Egypt, with the right to increase consumption later to 50 per cent.<sup>1</sup>

*British-Portuguese Air Mail Service.*—In December, 1935, the British and Portuguese Governments were negotiating an Agreement regarding the carrying of air mail from South Africa on the Lisbon-London route.

*Pacific Shipping.*—In February, 1936, tentative arrangements were made for a London Conference of the British, Canadian, Australian and New Zealand Governments on the subsidising of British shipping in the Pacific by the various Governments.

(10) *Informal Agreements or Co-operation between Governments*

*Road Co-operation in North Africa.*—In August, 1935, it was announced that the Egyptian Government, by agreement with the Spanish, French and Italian Governments, proposed to build a new road to Sollum linking Egypt with the road system now being completed across Northern Africa and giving connection between Cairo and Tangiers.

*Riegen Island Bridge.*—In 1931, Sweden and Germany were considering a scheme for building an international bridge Riegen Island-Prussian mainland, to replace the existing ferry-boat service.

*South American Air Co-operation.*—In 1929, a Brazilian Government Decree inaugurated a plan of aerial communication expansion: Rio de Janeiro-Acre territory linking up with the Bolivian system at Villa Bella and, with the opening up of the new link between Arica (Chile) and La Paz (Bolivia), providing a complete aerial trans-continental route; (2) Rio de Janeiro-Uruguay; and (3) São Paulo-Corumba, connecting with the Bolivian aerial system.

*Greek-Bulgarian Railway.*—The Bulgarian Government agreed with the Greek Government to join up their railways between Petritch and Demirhissar.

*Pyrenees Tunnel and Railway.*—In 1928 was opened

<sup>1</sup> *The Times*, 5935

the costly railway between France and Spain by a tunnel through the Pyrenees; following arrangements between the two Governments to co-operate in promoting it.

*Congo-Uganda Railways.*—In 1930, collaboration between the British and Belgian Governments was suggested, in planning a railway for the frontier districts of the Belgian Congo and Uganda.

*Bolivia-Brazil Railway Co-operation.*—By a 1929 Treaty the Bolivian and Brazilian Governments arranged to build a railway, Santa Cruz—Puerto Grether.

*Turkish-Iran Railway Co-operation.*—In June, 1934, the Shah of Iran visited Turkey—mainly, it was understood, to discuss co-operation in regard to communications. Turkey already had improved motor roads to the Iran frontier and had started two railways which it was planning to extend.

*Gibraltar Tunnel.*—In June, 1933, the Spanish Home Secretary visited Ceuta, Algeciras and Tarifa in connection, it was stated, with the construction of a tunnel linking Europe and Africa, under the Straits of Gibraltar. For many years such a plan has been mooted—and tests have been made.

#### (II) *Franco-German Economic Committee*

The two Governments agreed to set up a Committee, in 1931, as a result of the visit to Berlin of MM. Laval and Briand, comprising representatives of the administrations concerned plus representatives of various branches of economic life and of labour. It was to examine all economic problems concerning these countries, taking account of the necessity for international collaboration. It proposed first to study the possibility of International Agreements on commercial shipping and aviation. The French Government set up a Committee comprising thirteen sections, dealing with various industries, agriculture, commerce, general economic, banking and workers' organisations. The representatives of the French and German workers' organisations met in Paris, on 30th October, 1931. During the first year the

Committee concentrated its work on the Franco-German Commercial Treaty, industrial ententes and transport; and drew up a plan of possible co-operation regarding cartels, and railway, river and air transport. In September, 1932, the Committee's Fourth Sub-Committee began a study of Franco-German collaboration outside their respective countries. It envisaged the formation of two Franco-German consortiums: comprising certain French and German undertakings specialising in public works and metallurgy, and combining guarantees from both States, and undertaking work in France and Germany and in the colonies. A European public works Company was envisaged, to undertake metallic building, building and repair of roads, electrification, etc. English capital also would participate in this Company, which would represent the collaboration of these three States in finance as well as in production; and, moreover, the Company was to be open for the participation of other States. Another project studied was the creation of a Franco-German consortium, also open to other States, for the electrification of European railways.<sup>1</sup>

(12) *Miscellaneous Forms of Co-operation*

In 1931, it was stated that the Yugoslav and Rumanian Governments had arranged to build a new bridge over the Danube.

In July, 1930, was completed the Ontario-Michigan tunnel, under the Detroit River between Detroit and Windsor, Ontario, the first tunnel between the U.S. and Canada; which will help trade and tourist traffic greatly.

(b) LEAGUE OF NATIONS' INTERVENTION <sup>2</sup>

Governments have arranged to intervene in industrial and economic undertakings and affairs through the League of Nations in a wide variety of ways. Let us

<sup>1</sup> *L'Europe Nouvelle*, 19.11.32, pp. 1366-7.

<sup>2</sup> See, *inter alia*, *Monthly Summary of the League of Nations*, February, 1936, pp. 61-73, Annex I: "Organisations and Commissions of the League of Nations".

examine League machinery for intervening in economic affairs and refer to some proposals for developing such intervention.

The *Covenant* refers, explicitly or by implication, to special economic functions of the League in: Article 8 (5), defining the Council's functions in eliminating the evils of private manufacture of munitions and implements of war; Article 16 (1) and (3), defining League Members' duties *vis-à-vis* an aggressor State, in respect of economic and financial Sanctions; Article 22 (5) and (9), defining certain economic functions of Mandatories and, hence, of the Permanent Mandates Commission; Article 23, defining the League's duties in regard to: (a) the maintenance of proper labour conditions (implying economic activity as the basis thereof), (c) the supervision of the traffic in Opium and other dangerous drugs, (d) supervision of the trade in arms and ammunition and (e) maintenance of freedom of communications and of transit and equitable treatment for commerce for all Members; and Article 24 (1) and (2), regulating the placing under League supervision of certain international bureaux or Commissions. Naturally the economic and financial implications of League membership are much wider: not only in regard to the provisions for settling disputes which may arise from economic questions, and questions relating to the use of the economic boycott, on which technical advice is needed by the Council and the Assembly; but also in seeking to remove all causes of war, removing menaces to world peace—Article 11 (2)—and developing machinery for promoting progress through international economic co-operation, settling refugees, provision of financial facilities, treatment of agricultural questions, raw materials and foodstuffs problems, etc.

The *Assembly* and its Committees consider industrial and economic questions. The Second Committee reviews the work of the League's Technical Organisations, including the Economic and Financial Organisation, the Organisation for Communications and Transit and the

Health Organisation; and specialises on economic and financial questions. The Third Committee, in dealing with Disarmament questions, discusses the control of the manufacture of and traffic in arms. The Fifth Committee reviews social and humanitarian questions, including the control of the traffic in Opium and other dangerous drugs. Occasionally the First Committee has to consider economic questions, arising, for example, out of its discussion of the League's relations with the Pan-American Union. The Fourth Committee deals with financial aspects of all questions, including economic questions. The Sixth Committee deals with Refugee questions. The Assembly also receives a report of the work of the Council, which has certain special functions to fulfil in regard to economic questions, and of all the League's work.

The *Commission of Inquiry for European Union* was formed by the Assembly in 1930. Its members were appointed by States Members of the League and, by invitation, certain non-Members: certain overseas States send observers. It has concentrated on economic matters.

The *Council* has the specific task, under Article 8 (5) of the Covenant, of eliminating the evils arising out of the private manufacture of arms. It has, or has had, other definite duties in reviewing the work of various Committees, and special Commissions or bodies performing economic functions, e.g. in the Saar and the Free City of Danzig. It reviews the work of the Technical Organisations, as will be seen, subsequently; and has to appoint members of various Committees dealing with industrial and economic questions. It also has functions to discharge in regard to the Permanent Mandates Commission and certain other Permanent and Temporary Advisory Commissions.

Certain *Technical Organisations* perform increasingly important economic functions. They are independent regarding their internal proceedings, but the Council controls them as regards their relations with States-

Members, appoints members of various Committees, and receives reports of their work. The 1935 Assembly approved certain suggestions relating to statutory rules for the composition, appointment, mandate and conduct of League technical or expert Committees, contained in the *Report of the Committee Appointed to Study the Constitution, Procedure and Practice of Committees of the League of Nations*<sup>1</sup>; and requested the Council to take steps to carry them out. It thought that they were a statement of principles which could be adopted also by the Council in the case of Committees to which this special Committee's study does not refer.

*The Economic and Financial Organisation.*—*The Economic Committee and the Financial Committee* report to the Council and the Assembly and advise them on financial and economic questions. Normally they meet separately, but matters of mutual interest are tackled sometimes in a full joint session. Each comprises twelve to fifteen members selected by the Council, not as representatives of Governments, but as experts on economic and financial questions, e.g. economists, statisticians, officials of Ministries of Commerce and Trade or Treasuries, or private bank directors. They work in close touch with Governments, naturally, though not appointed by them, as well as, inevitably, in intimate contact with business and financial circles. They meet as they choose, normally three or four times annually. They appoint Sub-Committees for various purposes. In 1927, the Council, on the Assembly's instruction, decided to reorganise the *Economic Committee*, which now comprises fifteen members, of different nationalities, appointed for three years in their personal capacity. The 1935 Assembly endorsed the reference in the above-mentioned special Committee's report, to the Economic Committee, the constitution of which, as revised in 1927, it approved, provided that its general programme was framed by a Governmental body and that special provision was made for tasks not falling within its normal sphere—in which case special

<sup>1</sup> Doc. A.16.1935, Geneva, 5.8.35, Part IV (b) and (c).

Committees might be set up reporting to the Council. On 24th January, 1936, the Council endorsed this Committee's opinion.<sup>1</sup>

The *Financial Committee*<sup>2</sup> advises particular States on general financial matters and the Council on financial aspects of its administrative work. The Council appoints its members as individual experts (Treasury officials, private and central bankers). It reports to the Council and the Assembly. The above-mentioned Special Committee considered its composition to be suited to its main task of framing and controlling financial reconstruction schemes and to the similar work of framing plans for financial assistance and agricultural mortgage institutions; but it was prepared for the central authority to allot other tasks to it. When that authority wanted tasks undertaken which did not normally fall within this Committee's sphere, it might entrust them to special Committees and feel free, if desirable, to arrange for them to report direct to the Council. The 1935 Assembly endorsed its Second Committee's report on this Report, which pointed out that the Council, in view of the 14th Assembly's wish that it might be possible for the Financial Committee to deal with problems of a more general order, including such as would be of direct concern to overseas as well as European countries, had decided to postpone a decision regarding the most appropriate procedure on this point, till January, 1937. It decided, therefore, that the application of the Statutory rules recommended to this Committee ought to be considered when the Council discussed the above matter again. On 24th January, 1936, the Council adjourned till January, 1937, its decision on this Committee.

The *International Agricultural Mortgage Company*<sup>3</sup> has not yet been set up.

The *Economic Consultative Committee*<sup>4</sup> is inactive at

<sup>1</sup> See the Rapporteur's (French Government representative's) Report to the Council on Committees of the League of Nations, 23 i 36, C 71.1936.

<sup>2</sup> There is also an advisory *Fiscal Committee*

<sup>3</sup> See pp. 68 and 78-80.

<sup>4</sup> See pp 39-40.



present. It was to comprise thirty-five members, including representatives of capital, labour and trade unions, and economists; but the number was raised to fifty-two, and later to sixty (including three representatives of the I.L.O. in a personal capacity, five representatives of the Economic Committee, two representatives of the International Chamber of Commerce, and one each of the Finance Committee and the International Institute of Agriculture). In 1931, the Council decided that the International Co-operative Alliance should have a full and not merely an advisory representation.

The *Committee of Statistical Experts*, operating under the authority of the 1928 Convention<sup>1</sup> and appointed in January, 1931, has the duty of showing the economic position and development of the world as a whole and in different countries on a comparable basis. Its members are appointed by the Council as individual experts: they include representatives of the International Institute of Agriculture, the Economic Committee and the I.L.O. It appoints Sub-Committees.

The *Organisation for Communications and Transit* is a semi-autonomous body, resting directly on the States, and has a far greater measure of independence of the Council.

The Peace Conference Committee on Ports, Waterways, and Railways, reinforced by representatives of certain neutral Powers, prepared the First Conference on Communications and Transit, Barcelona, 1920, at which originated the Communications and Transit Organisation of the League.

Article 23 (e) of the League Covenant gave the League certain duties in regard to communications and transit and through other provisions of the Peace Treaties—Part XII—Ports, Waterways, and Railways of the Versailles Treaty and like sections in other Peace Treaties—the League was allotted certain work in this sphere, e.g. regarding the international system of navigable waterways. The Communications and Transit

<sup>1</sup> See pp. 41-2.

Organisation is a technical organisation with a written semi-autonomous constitution, elaborated, as authorised by Assembly resolutions, by General Transit Conferences, i.e. by the Governments represented in this Organisation. The permanent Constitution was adopted at the 1927 Conference. It advises the Council, the Assembly, and the States-Members of the League, facilitates international co-operation and League action in matters arising out of Article 23 (e) of the Covenant, and aids other Technical Organisations in matters referred to the League in connection with Articles of the Peace Treaties and other international Conventions, e.g. those adopted at Barcelona (1921), and at Geneva (1923) whereby the League has certain functions regarding international communications, ports, railways, navigable waterways and the use of electric power. Through its instrumentality the Government representatives and best experts co-operate on transit and communications matters apart from political and diplomatic channels. The Organisation is subject to Assembly resolutions, and is part of regular League machinery, its budget and annual report going through the Assembly and its secretariat being a part of that of the League; but in technical matters and in internal administration it is autonomous, getting its authority from its Government constituents. Governments can sign its Conventions, and its other decisions operate as recommendations. Though it has no executive power, neither its conventions nor its recommendations have to be approved by the Assembly or the Council, which merely have certain rights of supervision. The Organisation functions through ordinary General Conferences, which meet every four years, are summoned by the League Council, and which are the supreme authority of the Organisation; special General Conferences; limited Conferences, to consider matters of special interest to particular States (convened by the Council); through the Advisory and Technical Committee for Communications and Transit (whose members are designated by Governments in an individual

capacity) which meets between ordinary General Conferences; and through the permanent secretariat. The Advisory and Technical Committee meets about twice annually and has six permanent Committees, including one on electrical questions, which do technical work under the former's supervision. States non-Members of the League can join the Organisation on equal terms, including regular membership of the Advisory Committee as invited by the League Assembly or as accepted by an Ordinary General Conference. The League Council can invite States not belonging to the Organisation to General Conferences, in which they can share equally except in purely internal matters. At the third General Conference the U.S., Egypt, Ecuador and Turkey participated and the U.S.S.R. was asked to take part in a special Conference.

The Organisation is concerned with wireless and air and other communications of importance to the League at times of emergency: it handles the problem of the League Wireless Station.

Important comments on this Organisation were made in the report of the above-mentioned special Committee. It advocated the retention and more formal recognition of the essentially governmental character of its organisation; and suggested these changes designed to simplify its procedure and practice and to secure better co-ordination between its work and that of other League organisations: (a)<sup>1</sup> that all Governments desiring to be represented should be included in the existing Advisory Committee, which should become purely governmental, each Government appointing, directly, its own representative; (b) enlarged in personnel and specifically Governmental in character, this Committee could do

<sup>1</sup> In the Second Committee of the 1935 Assembly on 25th September, it was stated by the Secretary of the Committee in answer to a question by the Austrian Government delegate that the Secretary-General thought this to mean that the Advisory Committee's Expenses would be paid by their Governments as in the case of members of the Opium Committee; on the other hand those of special technical Committees set up by the Committee would be borne by the League Budget.

the work of the General Conferences as defined by the Organisation's Statutes as well as its own, and periodical Governmental Conferences now provided for need not be convened, although a special Governmental Conference would still be necessary for the conclusion of an International Convention; (c) between Sessions of the Advisory Committee, its Chairman would continue to control its work, aided by a small technical Committee, over which he would preside, chosen by the Council from experts of high rank; and (d) the Chairman should report regularly to the Council on the Organisation's work and, as desired, the small technical Committee could meet specially before or during the Council's Sessions.

The Assembly adopted these suggestions and asked the Council to ensure their application. On 24th January, 1936, the Council asked the Advisory Committee to submit to it, at its next session, the draft of new Statutes based on these reforms.

The *Health Organisation* undertakes certain work of an economic character, e.g. its housing activities. Moreover, in seeking to promote co-operation between national Health Authorities, it must cover certain economic work. It has been set in motion under Article 23 (f) of the Covenant, and Assembly and Council resolutions.<sup>1</sup>

*Certain Permanent Advisory Commissions*, set up under the Covenant, which advise the Council on definite subjects, deal with economic affairs. Their members may be Government representatives or chosen by the Council as individual experts. The *Permanent Advisory Commission on Military, Naval and Air Questions*, created under Article 9 of the Covenant, advises the Council on certain economic aspects of these questions. The *Permanent Mandates Commission*, created under Article

<sup>1</sup> It comprises a General Advisory Health Council and a Standing Health Committee. The above-mentioned Special Committee's report recommended certain radical changes in its constitution. These have been considered by the 1935 Assembly and by the Council.

22 (9) of the Covenant, has certain economic functions to perform.

Certain Commissions consisting entirely or in part of experts or of Government delegates from countries designated by the Council perform economic functions. The *Permanent Advisory Committee on the Traffic in Opium and other Dangerous Drugs*, created under Article 23 (c) of the Covenant and a resolution of the First Assembly, helps the League to supervise Opium Traffic Agreements. Its members are appointed by Governments (and there is a U.S. observer). Other similar Committees are the *Committee of Thirteen for the Purpose of Proposing Methods to render the League Covenant more effective in the Organisation of Collective Security*, and the *Inter-Governmental Advisory Commission on Refugees*, created under a resolution of the Ninth Assembly. The latter was formed in 1928 and has advised the Council and the Assembly; and comprises representatives of Governments and the Secretary-General, the Director of the I.L.O. and the President of the Nansen Office assisting in an advisory capacity.

Certain *Temporary Committees of the Council* have discharged duties in regard to economic questions. The Council appointed: a *Committee on the Problem Raised by the Liberian Government's Request for Assistance* (financial and other), in 1931 (including a U.S. representative); a *Committee for Technical Co-operation between the League and China*, in 1933, in which other States were invited to join and to which the U.S. nominated an observer; a *Committee for the Settlement of the Assyrians in Iraq*; and a *Committee to Report on the Dispute between Ethiopia and Italy*.

The Council has appointed certain other Committees or Commissions, with members appointed in their individual capacity. It has appointed certain organs in connection with various loans issued under League auspices. It appointed a League representative at Vienna, a Financial Committee representative at Budapesth, and a League Commissioner at Sofia, in connection

with the financial reconstruction of Austria, Hungary and Bulgaria respectively. It has appointed advisers to the National Banks of Austria and Bulgaria, and Trustees for various loans<sup>1</sup> (Austria, 1922 and 1932; Hungary, 1924; Bulgaria, 1926 and 1928; Danzig, 1925 and 1927; and Esthonia, 1926). On 23rd January, 1936, the Council appointed a *Committee of Legal and Financial Experts for the Study of Future International Loan Contracts*, whose members it appointed in their individual capacity. The *Permanent Central Opium Board* was formed under Article 19 of the 1925 Geneva Opium Convention, its members being appointed by the Council on grounds of their special knowledge and with a view to their being independent of their Governments. It was to report to the Council and had to receive reports from signatories to the Convention on Statistics and full information about the manufacture, import and export, stocks, etc., of substances dealt with in the Convention; to watch international trade therein and take prescribed steps to thwart illicit traffic. Under the 1931 Convention for Limiting the Manufacture and Regulating the Distribution of Narcotic Drugs (Article 5) a *Supervisory Body* was created to examine estimates sent in annually by the signatories to the Convention on amounts of drugs required for medical and scientific purposes. Its members come from the Advisory Committee on Traffic in Opium, the Permanent Opium Board, the League Health Committee and the Office International d'Hygiène Publique. The 1935 Assembly approved the endorsement by the above-mentioned special Committee of the existing organisation in regard to the supervision of this traffic. The Council also appointed the *Mixed Committee on the Problem of Nutrition* with members appointed in their individual capacity.

For the handling of the questions of *Refugees from Germany*, on 12th October, 1933, the Council appointed an *Autonomous Organisation* comprising a *High Com-*

<sup>1</sup> Except in the case of Greece, where the International Financial Commission existed.

*missioner*, to be aided by a Governing Body to whom he would be responsible. The latter was to comprise representatives of States (including the U.S.) and, if thought advisable, private organisations. The necessary funds were to come from voluntary private sources; but an advance loan was made by the League. The first High Commissioner was not a national of a League Member-State.<sup>1</sup> Following on discussions in the 1935 Assembly and the Report of a Committee the Council has made provisional arrangements for the *League Refugee Service* and has passed on to the 1936 Assembly certain proposals for its *future organisation*. In December, 1935, the Council created the autonomous *Assyrian Settlement Trustee Board*.

The Council has had to discharge certain functions allotted to it under the Peace Treaties or later international agreements or Conventions; and these involved the discharge of economic functions. The *Governing Commission of the Saar Basin* was the instrument of League trusteeship for fifteen years, from 1920, for this ex-German territory, under the Versailles Treaty. Its five members were appointed by the Council; and it reported to the Council. It controlled and operated railways, posts, canals and other public services. Several mining communes were given subsidies for building cheap houses. The Commission introduced legislation for State building of cheap houses and became jointly responsible with Communes for annual payments to borrowers to reduce the rate of interest payable by them. In 1929, the Commission asked the Council's approval for a public works loan. In 1932, it decreed the creation of a Central Deposit Bank, supervised and directed by its Finance Department, to enable Savings Banks to invest available funds in the territory. Following a plebiscite on 14th January, 1935, on 17th January, 1935, the Council decided that the Saar Basin should be reunited with Germany as from 1st March, 1935;

<sup>1</sup> See pp. 62-6, regarding projected alterations in this and other refugee organs under League auspices.

and instructed its Committee to arrange for the transfer of certain undertakings, including mines and railways, to Germany. The Council Committee asked the French and German Governments to appoint agents to discuss, with the technical aid of a Sub-Committee of the Financial Committee, the possibility of an agreement. Such an agreement on financial questions, mines, railways, etc., was concluded at Rome on 3rd December, 1934, in accordance with the terms of the Versailles Treaty. The French Government agreed, in the event of union with Germany, to cede to the German Government its rights of ownership of the mines, railways and other immovable property against payment of a lump sum, in an agreed manner. The Committee of the Council met in Rome from 5th to 15th February, 1935, and in Naples, 18th–19th February, 1935; and on 18th February, 1935, approved the above-mentioned Franco-German Agreement. It effected the transfer of the territory of 1st March, 1935.<sup>1</sup> The Council also appointed the League High Commissioner at Danzig, under Article 103 of the Versailles Treaty.

The *Harbours and Waterways Board of the Free City of Danzig*, which administers the Port of Danzig, comprises Polish and Danzig members and a Chairman appointed, failing agreement, by the Council.<sup>2</sup>

Under the Trianon Treaty the Council has to act regarding the appointment of the Chairman of the *Permanent Technical Hydraulic System Commission of the Danube*. The Convention of Lausanne (1923) set up a *Straits Commission* (Bosphorus) endowed with certain economic functions, under the League. In 1934, it reported to the Secretary-General that the Turkish Government had set up a State monopoly of the service of pilotage in the Straits.

*Certain international bodies were put under the League's authority in accordance with Article 24 of the Covenant*, which intended the League to co-ordinate the work of

<sup>1</sup> See Doc. A 6 1935, pp. 48–58.

<sup>2</sup> Under the 1920 Polish-Danzig Convention.



certain of these institutions, which were left with a varying measure of autonomy. By a decision of the Ninth Assembly the League can be represented in an advisory capacity at all their meetings; and they must give opinions to League organs as required and send annual reports to the League. These bodies include the following which have certain functions relating to economic matters to perform: the *International Central Office for the Control of the Liquor Trade in Africa* (Brussels), dating from the 1919 St. Germain-en-Laye Convention and a 1922 Council Resolution; and the *International Commission for Air Navigation* (Paris), arising out of the 1919 Air Convention, which was created in 1922<sup>1</sup> and whose members were appointed by Governments (including the U.S. and Japan). The *autonomous Nansen Office for Refugees* (Geneva) also comes under this heading.<sup>2</sup> This body took over the High Commission for Refugees and had, among other things, to help to find work for and to settle refugees and co-ordinate the work of national bodies. Its President was appointed by the Assembly, and other members represented the Inter-Governmental Advisory Commission for Refugees, the Secretariat, the I.L.O. and various private refugees and relief organisations. It reported to the League, which audited its accounts, and obtained some League financial help.

The *International Relief Union* (Geneva) is also under League auspices. It was formed in 1932 with Government and private financial support, to provide help for stricken peoples in cases of exceptional disasters due to *force majeure*, and, in cases of certain public disasters, to co-ordinate the work of relief organisations. The *Refugee Settlement Commission*, which worked under the League for seven years, came to an end at the end of 1930.

<sup>1</sup> There is no League financial responsibility. It advises States on the execution of the 1919 Convention and on Air Navigation in general

<sup>2</sup> See pp 62-6 for information regarding this phase of League work when this Office terminates.

The 1924 Convention (8th May) determining the status of Memel territory and rules governing the port's use was framed with the help of experts appointed by the Advisory and Technical Committee for Communications and Transit's Chairman. Under this Convention one of the Harbour Board's Members is appointed by this Chairman and this Committee receives the Harbour Board's Annual Report.

The *League Secretariat* has a good deal of work to undertake in regard to economic questions. Not only its Financial Section and Economic Intelligence Service, Section for Economic Relations and Communications and Transit Section, but also the Mandates Section, Opium Traffic and Social Questions Section, and the International Bureaux and Intellectual Co-operation Section intervene in economic studies. They gather a mass of information, do research and secretarial work for the various Committees, and issue valuable regular and special publications. Their technical competence and experience offer a firm basis for the assumption by the League of the wider economic tasks which lie ahead of it.

Like the Secretariat the *International Labour Office* plays an important part in League economic research and economic activity. Its Social Economics Service undertakes research into economic affairs. The Special Problems Section must deal with economic aspects of native labour, agricultural and co-operative problems. The Labour Conditions Section deals with the social aspects of rationalisation, industrial relations and hours of work. The Statistical, Unemployment and Migration Sections and the Conference Section (Maritime Questions Service) also tackle economic questions. I.L.O. Committees on Agricultural Work, Unemployment, Conditions of Work in the Textile, Coal Mines and Iron and Steel industries cover economic affairs. The I.L.O. is represented, in various ways, on the Unemployment Committee of the Commission of Inquiry for European Union, the Committee of the Communica-

tions and Transit Organisation on Public Works, the Economic Committee and the Permanent Mandates Commission. Representatives of the Workers' Group of the Governing Body sit in the Economic Consultative Committee. Representatives of the Employers' and Workers' Groups of the Governing Body sit on the Advisory Committee on Refugees, a representative of the Governing Body on the International Co-ordination Committee appointed by the International Institute of Agriculture, Governing Body representatives on the Mixed Advisory Agricultural Committee (with representatives of the Permanent Committee of the International Institute of Agriculture) and on the Mixed Committee on Inland Navigation (with representatives of the Communications and Transit Organisation). The Nineteenth Session of the International Labour Conference called for the establishment of a permanent Agricultural Committee attached to the International Labour Office. As stated before the I.L.O., in order to fulfil its task, under the Peace Treaties, in regard to labour and social questions, must concern itself with economic questions. Mention already has been made of its connection with the (now defunct) International Management Institute, and with the International Committee on Inter-Co-operative Relations.

On 3rd October, 1932, the Council made arrangements for future relations between the League and the International Institute of Agriculture. The League should ensure its co-operation (as the body best fitted to advise it on agricultural matters) whenever agricultural questions come before it; and the Institute should bring any collective action contemplated by it into line with the League. The Council adopted certain measures to ensure co-ordination, in agreement with the Institute.

A number of interesting suggestions have been made for further League intervention in economic activity.

*Channel Tunnel.*—The Channel Tunnel Company was formed in 1881 (its name was changed in 1887). 2,026 yards have been built; but construction had to be stopped

owing to a House of Commons' decision. Baron d'Erlanger, Chairman of the Company, said, in 1929, that the ideal solution would be that the League should be the holding Company for the British and French Companies.

*Proposed Free Ports under the League.*—A proposal has been made for the creation of a number of free ports under League auspices.<sup>1</sup>

*Proposed International Waterways and Airports under the League.*—In August, 1935, the President of the American Foreign Policy Association<sup>2</sup> raised "the fundamental question whether the great canals of the world, both the Suez and the Panama, should be internationalised." Presumably he adumbrated their being placed under the League.

It has been suggested that, within the League, there should be a European Authority (of statesmen) to ensure European peace, controlling a European Air Transport and Police Board, in charge of European air transport and a European Air Police. This Authority should have absolute powers in the air, directly controlling and piloting all civil aviation on all the main air routes—this service to be called European Air Transport. All national Air Forces in Europe could be pooled and put under the same control and management. European Air Transport would have a monopoly of European Air Traffic. It would use national air ports, leasing the land and managing the port. It would also have repair bases and manufactures (in time) in most States.<sup>3</sup>

Mr. George Lansbury, M.P., urged, in September, 1935, that "all narrows and other waterways, such as the Straits of Dover and the Suez Canal, and all air-

<sup>1</sup> See Société Belge d'Etudes et d'Expansion, *Bulletin Périodique*, December, 1931, pp 480-4, de Barthélémy, "La S d N peut-elle remédier à la situation économique actuelle?"

<sup>2</sup> R. L. Buell, in a Study of Certain Legal Aspects of a Proposal to close the Suez Canal, published by the Geneva Research Centre (*The Times*, 28 8 35).

<sup>3</sup> "A Plan for the Organisation of a European Air Service," Rear-Admiral R. N. Lawson, London, 1935; *World Airways—Why Not?*, Gollancz—a discussion of the Organisation of Civil Aviation under one authority

ports or air stations should be handed over to the League of Nations for international control.”<sup>1</sup> The Peace and Reconstruction Council statement published on 21st October, 1935, also urged “consideration of the principle that international waterways such as the Suez Canal should be administered on principles to be determined by the League.”<sup>2</sup>

*League Administration of the Antarctic.*—

Had there been a League of Nations in existence at the beginning of this century, before any claims had been laid in the Antarctic, the protection and administration of this last and least useful continent would have been a most appropriate subject for League administration as an “international park” of vast proportions which should be open to all nations who would respect its amenities.

So spoke Professor Debenham,<sup>3</sup> in discussing some economic aspects of the Polar Regions, from which, he said, eventually huge sources of power might be obtained and sent across the world by wireless.

*League Intervention in Ethiopian Economic Affairs.*<sup>4</sup>—The Franco-British suggestions submitted to the Council, in September, 1935,<sup>5</sup> comprised a plan for collective assistance to Ethiopia, under League auspices; providing, *inter alia*, for collaboration in assuring the country’s economic development. It was suggested that this aid might be entrusted by the Council to France, Great Britain and Italy, with Ethiopia’s assent, or that the Council might approve a Treaty between these four Powers. The work of reorganisation in which aid would be given would concern economic, financial, commercial and constructional development. Italy rejected these suggestions. On 11th September, Ethiopia, at the Plenary Meeting of the Assembly, asked for

<sup>1</sup> *Daily Herald and News Chronicle*, 14 9 35

<sup>2</sup> *News Chronicle*, 21 10 35.

<sup>3</sup> Addressing the Geography Section of the British Association Meeting on 5th September, 1935 (*The Times*, 6 9.35).

<sup>4</sup> See League Doc. C 411(1). M 207(1) 1935 VII.

<sup>5</sup> As a result of tripartite negotiations held in Paris in August, 1935.

League co-operation in her economic, financial and political development. In the report of the Committee of Five (which bore in mind this request), appointed by the Council<sup>1</sup> to examine Italo-Ethiopian relations and to seek for a pacific settlement of the dispute between these Powers, which was presented to the Council on 26th September, 1935, an account was given of a plan of international assistance to Ethiopia in her economic development which the Committee had suggested to both disputants and which was accepted by Ethiopia as a basis for negotiation but rejected by Italy. This scheme suggested that assistance in economic development should cover these points: possibility of foreigners participating in the economic development of the country (land tenure, mining regulations, exercise of commercial and industrial activities); foreign trade; economic equality on a basis of reciprocity; public works and communications; posts, telegraphs and telephones. Assistance in financial matters was to cover: framing of the Budget and supervision of State expenditure; assessment and collection of taxes, fees and dues; establishment and operation of fiscal monopolies; and studies in connection with the loans which would be required for developing the country or carrying out certain reforms; if necessary, control of pledges assigned to the service of the loans. The scheme provided for a central organism to co-ordinate the work of the assistance services and foreign specialists, and to ensure the Ethiopian Government's support for them. At the head of each of the Public Services (including economic development and finance) would be a principal adviser. These advisers might either be subordinate to someone who would be both their chief and the League delegate accredited to the Emperor, or form a Commission presided over by one of them, who would be the League delegate. The Council, in agreement with the Emperor, would appoint the League delegate and the principal advisers. The delegate or Commission would report to the Council

<sup>1</sup> On 6th September, 1935.

(and at the same time this report would be sent to the Emperor) whenever necessary, and at least once a year. The plan would be renewed after five years.

The proposals submitted to Italy and Ethiopia in December, 1935, suggested, *inter alia*, an exclusive Italian economic zone in which Ethiopian administration would be controlled under a scheme of League assistance, by means of officials and experts.<sup>1</sup>

### (c) BARTER

Neither in antiquity nor in origin has all this coinage very much to be proud of. Indeed its one peculiar use is for tossing up with; and in boathouses, cricket pavilions and so on the dice would serve the same purpose much better. In fact, the more coolly it is looked at, the clearer does it become that money, coined or uncoined, is mere dross, a thing that the world could easily do without.<sup>2</sup>

Few people realise the extent to which, during this depression, with the breakdown of the world's economic structure, international exchange has been conducted on barter principles. When international trade broke down under the individualist and laissez-faire system, first private undertakings and then States were driven to organise barter and, subsequently, clearing and compensation trade, by co-operative action. In fact, nations have learned, perhaps, the basic truth, that properly conceived, all international trade is based on the principle of barter, or exchanging services.<sup>3</sup> The main difference between barter as practised to-day and primitive barter is that barter now has become organised; and organisation is a collective function.

Exchange restrictions, quotas, tariffs and other forms of control preventing normal trade relations and cash payments have driven nations, for whom international exchange is the life-blood of economic life, to find other

<sup>1</sup> Issued 13th December, 1935. See *The Times*, 14 12.35.

<sup>2</sup> *The Times*, leading article, 21.3.33.

<sup>3</sup> "International trade is carried on almost entirely without the passing of money; it is really a return to the system of barter." (Todd, J. A., *The Mechanism of Exchange*, London, 1933, p. 136).

and abnormal means of international exchange. One of the amazing phenomena which forced this resort to international barter upon naturally unwilling nations—unwilling because the practice of barter offends all the strict canons of modern economic orthodoxy—was the accumulation of huge stocks of raw materials in countries producing primary commodities, because of the lack of markets, with the resultant measures for burning or otherwise destroying these surpluses, to prevent prices from falling too low. Thus, in 1931, one read of coffee being thrown into the sea in Brazil and the Federal Farm Board urging Governors of cotton-producing States to destroy one-third of the current U.S. crop. Behind these international barter transactions lies a growing resort to barter within many States.

A number of typical examples may be taken of barter arrangements made between Governments, and between Governments and private concerns or between private concerns themselves, in various countries.<sup>1</sup>

In 1931, the U.S. Government agreed with the Brazilian Government to exchange huge quantities of wheat and coffee,<sup>2</sup> and with Chile to exchange wheat for nitrates. It proposed a huge barter transaction with Russia. In July, 1931, German engineering firms arranged exchanges for Brazilian rice, Argentine rice and wheat and South African wool. Later in 1931, Ruhr coal was exchanged for Brazilian coffee. In 1931, Russia made compensation agreements to barter goods with Iran and Turkey; and also made agreements with Czechoslovakia (wheat for iron), Japan (petrol for various materials), Canadian aluminium producers, Switzerland (benzine and anthracite for cheese). In 1931, Czechoslovakia and Egypt agreed to exchange raw materials. Turkey and Hungary promoted an exchange of coal and cotton for agricultural implements and other Hungarian manufactured goods. At the end of 1931 Swedish

<sup>1</sup> For a very interesting and the most authoritative account of this movement see *A Gold Truce* . . . by Edgard Milhaud (London, 1933), pp 19-38

<sup>2</sup> *The Times*, 22 8 31.



firms agreed with the Iran foreign trade monopoly to exchange railway rolling stock for fruit, hides, wool, copper, silver articles, tea and tobacco.

In 1932, the Turkish Government arranged a "moneyless loan" from Russia whereby the former was given a long-term credit to enable the exchange of her agricultural and mineral products against machinery and other articles.<sup>1</sup> In 1932, the U.S. and Chile were reported to be negotiating an exchange of wheat and nitrates and the U.S. and Russia were discussing a big barter exchange—with a special non-profit-making organisation to be set up in the U.S. for the purpose.<sup>2</sup> In May, 1932, German synthetic nitrates were exchanged for Egyptian cotton.<sup>3</sup> In November, 1932, an exchange of tobacco and rolling stock between the Bulgarian Government and a German Industrial Consortium was being negotiated. In October, 1932, Czechoslovakia and Denmark agreed to exchange textile and glass goods for butter; and in 1932 Czechoslovakia also made Agreements to exchange motor vehicles and malted liquors for eggs (with Poland), machinery for tobacco (with Turkey), coke, copper and manufactured goods for butter and linen (with Latvia).

In 1932, proposals were made to exchange Polish rubber for Bulgarian raisins, Polish-Dutch goods and Polish iron for Brazilian coffee and minerals. In November, 1932, Poland exchanged with the Bulgarian railways certain materials on condition that Poland bought tobacco from the Bulgarian Agricultural Bank which the latter would accept from planters in payment of debts or of interest thereon.

In 1933, numerous Canadian farmers' organisations approved the principle of barter, especially an exchange of Canadian cattle for Russian oil and anthracite between the Russian Government and a Winnipeg Cattle Syndicate.<sup>4</sup> In February, 1933, Spain and the Argentine agreed to exchange steel rails from the former for maize

<sup>1</sup> *Manchester Guardian*, 9.5.32.

<sup>2</sup> *New York Times*, 12.10.32.

<sup>3</sup> *USA*, 30.7.32

<sup>4</sup> *Le Temps*, 25.1.33, *Manchester Guardian*, 22.2.33, 20.2.33 and 24.2.33.

from the latter.<sup>1</sup> In March, 1933, the Brazilian Government sought to exchange coffee and other primary products for ships from Japan and Great Britain.<sup>2</sup> Later she sought a similar exchange with Italy and Holland. In 1933, Austria made a compensation agreement with Turkey to exchange manufactured goods for tobacco; and Italy agreed with Poland to build two liners for the Polish Government's Gdynia-America Shipping Company, in return for coal for the Italian State Railways.

In 1934, the Chilean State Railways agreed to an exchange of salt-petre for German locomotives under the Saltpetre Agreement of January, 1934;<sup>3</sup> and Peruvian textile manufacturers passed a resolution urging the Government to apply a quota system whereby countries purchasing Peruvian cotton and by-products should have the right to introduce an equivalent percentage of manufactured cotton goods and by-products. In 1934, it was stated that arrangements were concluded with the South African Government enabling Germany to "finance" the purchase of £2¼ million of Cape wool by bartering German goods of the same value to South Africa.

At various times in recent years proposals have been made and/or accepted for the exchange of: German motor cars and electrical machinery for Australian wool and other raw materials; Zeiss optical instruments for Chilean nitrates (accepted); German ships for Norwegian whale oil (accepted); Japanese soya beans for German Zeppelins (accepted); Japanese cotton yarns and other manufactured goods for Turkish raw cotton and tobacco (accepted); South Wales coal for Newfoundland Iron Ore (accepted); Gloucestershire cream-separators for Canadian ploughs (accepted); Polish coal and textiles for Greek currants and olives (accepted); Ruhr coal and sleepers for Austrian fruit and dairy products (accepted).

In January, 1935, the Irish Free State and Germany

<sup>1</sup> *The Times*, 18 2 33

<sup>2</sup> *The Times*, 18 3 33 and 21.3.33, and the *Daily Herald*, 18.3.33.

<sup>3</sup> *The Times*

signed a Trade Agreement, which was a barter arrangement for exchanging the former's cattle, butter, eggs and similar produce for the latter's manufactured goods; the German Government acting as a direct purchaser.<sup>1</sup> In the same month an Anglo-Irish arrangement was of the nature of a barter transaction for setting-off British coal for Irish Free State cattle.<sup>2</sup> Barter transactions continue, in fact, to be practised in Europe and overseas countries. Thus, in August, 1935, contracts for barter transactions with Poland, Latvia and Yugoslavia were approved by the Government of Belgium—with provision for supervision by the Ministry for Economic Affairs—for exchanging Belgian steel (and other manufactured goods) for grain. In September, 1935, a new Clearing Agreement was made between Germany and the Union of South Africa to facilitate the export of the latter's wool. In October, 1935, a Clearing Agreement was reported for the exchange of German nitrates and Austrian butter; and Germany and Hungary proposed to arrange for compensating increased Hungarian lard, bacon and pork exports against increased German chemicals and textiles exports. In 1935, Hungary put on a compensation or barter basis her agreement with Italy under the 1934 Rome Agreement. In 1935, also, Germany had important barter dealings with Brazil.<sup>3</sup>

In February, 1936, the Treaty regulating the exchange of Australian barley for Belgian glass was extended; and Germany was projecting a seven and a half million pounds per annum plan for exchanging manufactured

<sup>1</sup> *The Times*, 28.1.35 and 29.1.35.

<sup>2</sup> *The Times*, 4.1.35, and *The Star*, 3.1.35.

<sup>3</sup> Mr. Philip Haldin, at a meeting of the Lamport & Holt Line, Limited, on 25th March, 1936, stated that, owing to these barter transactions, British ships had lost the transport of over 55,000 tons of cotton in 1935, as compared with 1934. Further, in 1935 Brazil reversed the process of taking many more goods from Britain than from Germany; and the British share of goods from Brazil was much decreased as compared with those taken by Germany (*The Times*, 26.3.36). According to *The Times Annual Financial and Commercial Review*, 11.2.36, barter agreements between Germany and Brazil were responsible for a decline of 111,000 tons of British shipments of coal to that Republic in 1935 as compared with 1934.

goods for Russian raw materials. The latest and most ingenious barter plan is the arrangement to which Germany has resorted, whereby frozen balances, arising out of exports of raw materials to Germany, can be used, partially, to purchase German products, in particular ships.<sup>1</sup> Holland and other countries also are getting shipbuilding contracts under barter dealings.<sup>2</sup>

Special companies have been organised to undertake this form of trade. In October, 1931, a plan to help Belfast shipbuilding and linen industries was discussed in Northern Ireland trade circles: the formation of a central flax-buying organisation by the linen trade under Government auspices for buying flax supplies abroad, especially from Russia, linked up with a plan to supply ships from Belfast yards to pay for these imports. There was keen interest in a French barter arrangement of this kind. By the French scheme, when Russia had supplied France with a certain amount of oil and other materials, Russia could order goods from France to the same value: no funds would be transferred.<sup>3</sup> In April, 1932, an International Goods Clearing House at Bremen was organised by exporters to arrange barter transactions which were made with the Northern, Baltic and Balkan States and Czechoslovakia. In June, 1932, a Turco-German barter organisation was formed to promote the exchange of Turkish coffee and German industrial products. In 1932, the International Goods Clearing Company, Limited, was formed in Vienna to conduct compensation transactions. A Hungarian-Yugoslav Association was formed in Budapesth, and a Yugoslav Association in Belgrade to promote barter transactions between the two countries. In 1932, a Polish Company was formed (with Government support) to foster barter

<sup>1</sup> The *Daily Herald*, 2.4.36, stresses the loss to British industry by Germany's development of barter trade as a means of settling outstanding debts of German trades, and especially the loss to British shipyards through British firms accepting barter terms with German shipbuilders.

<sup>2</sup> See *The Times*, 4.2.36, and 6.2.36 (Archibald Hurd's letter from the *Shipping World*)

<sup>3</sup> *The Times*, 23.10.31.

trading with other countries; and the Danzig Compensation Trade Company, Limited, was formed to organise compensation trade, especially with Poland. In Great Britain, the World Barter and Trading Company, Limited, was formed in September, 1933.<sup>1</sup> It was stated, in September, 1934, that U.S. exporting and manufacturing circles were discussing actively bartering proposals and were expecting to form a special, large bartering group in the following month. Tentative discussions had been undertaken with suppliers of raw materials in India, Norway, Chile and Iceland, with a view to bartering American machinery and other finished products for them. Foreign trade associations and U.S. Shipping Companies were co-operating.<sup>2</sup>

The principle of reciprocity in foreign trade found increasing acceptance. In Great Britain, in December, 1931, the Executive Council of the Association of British Chambers of Commerce approved the application of this principle to trade with Russia. Going a step further various commercial treaties between countries have been concluded on a clearing, and then on a compensation basis. Numerous Compensation Agreements have been concluded regulating transactions between European countries themselves, and between them and South American countries:<sup>3</sup> by 1934, no less than forty had been concluded between European countries. Compensation Offices have been set up, to facilitate compensation trade, in various countries. France has had a large amount of this experience; and a proposal was made there in 1932 to form a French Office for International Barter to preserve a balance between purchases from and sales to Russia. The Inter-Ministerial Decree of 15th February, 1932, created, under the auspices of the Paris Chamber of Commerce, a Compensation Office

<sup>1</sup> See *The Times*, 2 II 34.

<sup>2</sup> *The Times*, 5 9 34.

<sup>3</sup> In 1934, Chile had Compensation Agreements operating with eleven different European countries; which aided her trade revival. A substantial part of the proceeds of exports of nitrate of soda was offset against outstanding trade debts as well as counter-imports. The bulk of imports into Chile had to be paid for at the export rate of exchange ruling in the Barter market.

to regulate commercial credits and debts,<sup>1</sup> and to apply the reciprocity agreements made with various States, avoiding transfer of currency from one country to another and enabling French importers to use as means of payment credits of French exporters.

Early in 1933, the Greek Government introduced a system whereby importation of a selected list of commodities was permitted, henceforward, only in exchange for Hellenic products; such products including fresh fruit, shoes and other leather products, furs, furniture, iron products, including iron pipes and tubes, perfumes, toys and pencils.<sup>2</sup>

The special significance of this experience has been emphasised, for several years, by a leading French economist, Edgard Milhaud,<sup>3</sup> who has devoted his international Journal, *Annals of Collective Economy*,<sup>4</sup> to it very largely during the last few years, and who has written several special volumes<sup>5</sup> thereon. He has analysed the various Compensation Agreements—providing for the offsetting of imports by exports of equal volume, and clearing agreements—arranging to finance international trade without recourse to a transfer of currency, each country collecting payments due by its own importers and using the money to pay exporters. Realising that the gold standard has disappeared as the international standard of values and that international trade on normal lines has broken down so badly as to threaten whole national economies with ruin, he wishes to see international trade organised on a true economic basis. M.

<sup>1</sup> *Le Temps*, 16.3.33.

<sup>2</sup> *Winnipeg Free Press*, 16.2.33

<sup>3</sup> Professor of Public Economy at Geneva University, and formerly Chief of the Economic Section of the Research Division of the International Labour Office.

<sup>4</sup> In four languages; Editorial Headquarters at 8, rue St. Victor, Geneva, Switzerland.

<sup>5</sup> *A Gold Truce. A Constructive Plan for the Revival of International Trade*, 1933; *Fresh Work, Fresh Markets A Plan for Immediate Action against Unemployment and the Economic Crisis*, 1933, *Ending the Unemployment and Trade Crisis*, 1934; *Une Idée en Marche—La Compensation Organisée*, Paris, 1935; Société Belge d'Etudes et d'Expansion, *La Pluricompensation intégrale: Un essai d'application limitée immédiate*.

Milhaud has urged the adoption of a general and international compensation and clearing system; going beyond bilateral and plurilateral Agreements and extending the principle of compensation to all external transactions of a nation: visible and invisible trade, settlement of debts, obtaining of credits, by using special purchasing certificates. He also advocates that the National Compensation Offices should be supplemented by an International Compensation Office attached to the Bank for International Settlements, which should be utilised to organise international compensation.<sup>1</sup> He has prepared a Draft Convention which Governments in signing, could use as the means of bringing this international system into operation.

These ideas have found some important echoes in Great Britain.<sup>2</sup> In a letter from the Grimsby Incorporated Chamber of Commerce and Shipping to foreign legations, clearing houses, consuls and chambers of commerce throughout the world, reciprocal trade or commercial barter was suggested. It emphasised that sterilisation of gold in certain countries causing a shortage of this medium of exchange in many other countries obliged them to put an embargo on export of exchange as well as to restrict imports, thus increasing merchants' difficulties. These difficulties had fostered the desire for

<sup>1</sup> Already most countries have joined the international postal and telegraph and telephone Clearing Agreement which the B.I.S. handles.

<sup>2</sup> A London Chamber of Commerce scheme provided for compensatory trade relations between England and thirty-five other countries by means of a special instrument of payment, "Bartex" (see *The Times*, 11.11.32). On 11th April, 1932, the Manchester Chamber of Commerce urged the adoption of the barter principle in trading (see *The Times*, 12.4.32). *The Manchester Guardian Commercial*, 5.11.32, had a long, sympathetic article on the Milhaud plan. A suggestion was made at the Engineering Section of the British Association in 1933, that remuneration in factories should be by certificates, instead of money, exchangeable for commodities. *The Times Trade and Engineering Supplement*, 2.9.33, contained a very sympathetic reference to this plan, following two other appreciative references. *The Times*, 29.8.35, contained an article on international barter and a leading article. *The National Union of Manufacturers' Journal*, February, 1936, contained an article strongly supporting this plan by Wilfrid Hill, Chemical Director, County Chemical Company, Limited, Birmingham, Vice-President, International Committee of Exchange.

developing the principle of trade reciprocity, as well as the means for overcoming the lack of a workable medium of exchange, such as gold. The Council of the Chamber believed that progress in this direction might be made "by a resort to the ancient method of commercial barter, by means of which several transactions had already been affected". It had decided to establish a barter bureau at the Chamber's offices to encourage the development of these principles as between merchants in Great Britain and abroad. A Committee representing the various importing and exporting trades connected with the port was appointed to develop these principles "in the interests of world trade and industry".<sup>1</sup>

Stronger support was forthcoming in other countries, particularly in France, where the National Economic Council interested itself in it. In 1934 and 1935 the Marseilles Chamber of Commerce urged the adoption of a multilateral compensation system; and in 1934 the International Institute of Commerce, Brussels, urged the formation of an International Compensation Office. In 1934, Greece and Yugoslavia concluded an agreement setting up a kind of plurilateral compensation system. Moreover, several countries had resorted to a special monetary device, as suggested by M. Milhaud.<sup>2</sup>

The idea of plurilateral Compensation Agreements—most of the early Compensation and Clearing Agreements were bilateral in character—was raised at the 1934 League Assembly by the French Minister of Commerce—in the Second Committee. He moved a resolution asking that the League technical organisation should begin a study of the questions connected with the practice of compensation; stating that over one hundred

<sup>1</sup> *The Times*, 26.7.32.

<sup>2</sup> The French National Office gives exporters on demand, a *récépissé* enabling them freely to negotiate their credit. The Yugoslav decree, 5th October, 1935, created a *Mandat de Clearing* fulfilling a similar function. Hungary and Germany recently created a bilateral compensation system, involving the use of compensation money. Czechoslovakia is studying the creation of purchasing certificates negotiable internationally. See the *Journal de Commerce*, March, 1936, p. 3



Compensation Agreements had been concluded<sup>1</sup> between different European and American Governments and that compensation was a factor of growing importance in international trade policy; suggesting that the question of plurilateral compensation might be studied also, if desired. The British delegate said that if the compensation system were to continue, a system of multilateral methods of Clearing Agreements would be desirable; and that if there were an inquiry into the subject the Bank for International Settlements should be associated with it. He supported the motion in favour of an inquiry. The Assembly adopted the resolution, asking the Council to arrange for an inquiry jointly by the Economic and Financial Organisation of the League, into the scope, methods and results of compensation and clearing agreements. The Special Correspondent of *The Times*, writing from Geneva, very properly referred to this decision as "the most important economic act of this Assembly".<sup>2</sup> Many delegates disliked the practice and wanted it to be regarded as purely ephemeral; but they had to agree that it had grown and that the question was not, controlled versus uncontrolled economy, but what should be the degree of control. On 26th October, 1934, the Council asked the Economic and Financial Committees to appoint a Mixed Committee to undertake the inquiry and make a report. This Committee's report emphasised the disadvantages of the system; but then, nevertheless, had to admit that barter transactions were a useful corrective to the restrictions and controls so universally applied, with terrible results.

This extremely interesting body of experience and suggestions throws a flood of light on the fundamental problem which Public Authorities have to face in intervening in economic affairs in the international sphere.

<sup>1</sup> The first such Agreement was concluded between Hungary and Switzerland, in November, 1931. *N.B.*—The Anglo-French Trade Agreement took account of the suggested exchange of Welsh coal for which the French Government provided special licences, for French pit-props; and the Anglo-German Trade Agreement recognised private barter dealings.

<sup>2</sup> *The Times*, 27.9.34.

It shows how far the breakdown of our "modern" economic system has gone; and points to the need for urgent international action. It is unfortunate that economic orthodoxy should have prevailed in the League Committee which examined this subject. In effect, all it could do was to adopt the old laissez-faire attitude and recommend the gradual abolition of exchange control and the restoration of an international monetary standard "with the conditions of freedom essential to its operation"!!!

The weak point about the Committee's report seems to be its assumption that the old system will function to everybody's satisfaction once the restrictions are removed which practically every country has been compelled to impose and that the causes which made those restrictions appear necessary in the national interest will not have the same effect again. . . .<sup>1</sup>

In vain the newly-formed Committee for a Comprehensive International Compensation System,<sup>2</sup> put its views before this Committee, the Economic Committee and the Council; although the Chairman of the Economic Committee promised that the proposals would be studied very carefully. In June, 1935, the "Congrès International des Travaux d'Hygiène Publique", after discussing the financing of public works in relation to the compensation system, urged the League and other international organisations to study the question.

The Mixed Committee's Report came before the 1935 Assembly and an important discussion took place in the Second Committee. While most Governments endorsed this report's conclusions that the clearing system should be abolished, the Assembly nevertheless agreed with this Committee that this system had helped to stop a worse collapse of trade; and asked the Council to study the problem and seek the aid of the B.I.S. in organising a suitable consultation by competent persons with a view to applying the Report's suggestions and any other measures to develop international trade. This latter

<sup>1</sup> *The Times*, 29.8.35

<sup>2</sup> Geneva

addition was due to the intervention of the Chilean delegation, supported by Latvia and Bulgaria. In the Second Committee the Chilean delegate urged that as the Clearing System would remain for some time, consideration be given to conditions under which the system might be extended; and suggested multilateral instead of bilateral clearing. He proposed that the Assembly ask the Council to arrange for the Economic and Financial Organisation, as a supplement to the Clearing Agreements' inquiry and to enable greater scope and freedom to be given to international trade, to state its views on the foundation, possibilities, and probable results of various methods of so-called integral compensation. The Netherlands delegate complained that the Report on Clearing did not say much on how to overcome disadvantages and yet retain the system. He referred to the value of private Compensation Agreements (especially in view of the promise of the Netherlands-Germany Agreement); and mentioned a scheme for free negotiation of clearing certificates, "which seemed worthy of study". The British delegate, Dr. Burgin, speaking in the Second Committee,<sup>1</sup> criticised Clearing Agreements as diverting currents of trade into bilateral channels and reducing international trade to a minimum. He said that the British Government had recently been authorised by Parliament to impose Clearing Agreements when exchange control in certain countries rendered them necessary; but that it was reluctant to use this authorisation—although it had had to do so in certain cases. This speech showed a failure to grasp the true nature of clearing and compensation principles; and overlooked the fact that at the 1934 Assembly the British Government delegate urged multilateral clearing—the form advocated by the supporters of this system. A far better speech, though not in warm support of this method, was that of the Italian delegate, who emphasised that we must not rely too much on the nature of things to over-

<sup>1</sup> On 23rd September, 1935. See Minutes of the Morning Session and Journal No. 14, 24th September, 1935

come trade difficulties: he said that this always prevailed in the end, but sometimes too late. The Financial Committee, on 9th December, 1935, decided to postpone to a more favourable moment the consultation of experts envisaged above. On 22nd January, 1936, the Council decided that its President in agreement with its Rapporteurs on economic and financial questions, should fix the date of this consultation. In June, 1935, a member of the Congress of the International Chamber of Commerce discussed the organisation of a comprehensive plurilateral compensation system between France, Switzerland and the Belgian-Luxemburg Economic Union, on the one hand, and their common partners in European Clearing Agreements (Bulgaria, Greece, Rumania, Turkey, Yugoslavia and Hungary, i.e. the bulk of continental Europe) on the other hand. In November, 1935, the Executive Committee of the Union of French Exporting Industries unanimously approved the application of the Milhaud project in this area; and the Executive Committee of the "Comité International des Echanges" supported the plan. Then occurred a most striking development. On 17th March, 1936, the most eminent representatives of French foreign trade interests in the French Chamber of Deputies, including M. Paul Elbel, President of the League Economic Committee, put forward a resolution urging the Government to introduce as speedily as possible the "compensation cheque" in order to facilitate a multilateral compensation system in international exchange, and restore international trade transactions, with a view to the creation of conditions that would permit a return to the gold standard and general monetary stabilisation.<sup>1</sup> The Resolution was sent to the Commission on Commerce and Industry.

<sup>1</sup> The Resolution was presented by MM Henri Clerc, President of the Foreign Trade Group, Jean Herard, President of the Commission of Trade and Industry, Paul Elbel, President of the League Economic Committee, Maurice Palmade, former Finance Minister and Max Hymans, President of the Customs Commission (all Deputies). See Chamber of Deputies, 1936, Session, No 6970, 17th March, 1936. See also an illuminating article in the *Journal de Commerce*, 19 3.36, pp 1 and 3

Undoubtedly the above plan is based on a solid conception of the true foundations of political economy and offers an opportunity of creating a living cell of rational world economic organisation in that domain, trade, where anarchy is most dangerous. Its suggestion of an international office visualises, as the basis of planned exchange, a world plan for production and distribution. Moreover, this widespread resort to organised barter is another indication that only collective action can solve modern economic, and in particular, trading problems.

#### (d) INTERNATIONAL CO-OPERATIVE UNDERTAKINGS

Another important form of international collective intervention is that of the organised co-operative movement; which suggests significant future developments.

(1) *International Co-operative Alliance*.—The International Co-operative Alliance, through its auxiliary bodies, such as the International Wholesale Society and the International Co-operative Banking Committee, aims at establishing direct trading and other economic relations between national co-operative organisations. It has appointed Committees to consider various aspects of international economic and industrial relations, such as trusts and cartels, general economic policy and planning, and different forms of direct inter-trading relations between co-operative organisations in different countries. It has produced plans for international co-operative banking and insurance. In 1930, a member of its Executive Committee stated that the success of the Scandinavian Wholesale Society had suggested the federation of national organisations in England and its Dominions; Germany, Switzerland, Belgium, France, Portugal and Spain; Norway, Sweden, Denmark, Finland, Holland, Esthonia, Latvia and Lithuania; the U.S.S.R. and Iran; and Austria, Poland, Czechoslovakia, Yugoslavia, Bulgaria, Rumania and Hungary; giving five powerful amalgamated groups for international trading purposes. He suggested, for example, that a Mid-European Wholesale Society should

take the form of a share company in which shares could be sold only with the permission of a subscribing Committee: the amount of share capital held being determined by the foreign trade of the respective national wholesale societies. The Executive Committee, a few years ago, took an important decision that relations should be entered into with the Canadian Wheat Pools, with a view to the eventual development of business collaboration; and decided to call an international conference representing various countries' consumers' organisations and the Pools. By 1930, the Canadian Wheat Pool was a member of the Alliance.

(2) *The International Co-operative Wholesale Society*.<sup>1</sup>—The International Co-operative Wholesale Society has no commercial functions itself; but collects and distributes information likely to be useful in developing trade between one national wholesale and another, for which purpose there is a Central Information Bureau, in Manchester. At Geneva, in November, 1928, its Committee decided to set up an agency in London for the purpose of facilitating commercial operations between the member Organisations or on their behalf. A similar agency, the Nordisk Andelsforbund, had been working since 1918 as a supply organisation for all consumers' wholesale co-operative societies in Denmark, Norway and Sweden; and was joined during 1928 by the two Finnish Wholesale Societies. Later, however, the Committee decided to go more slowly and to leave over for a time the creation of this agency, adopting an alternative plan of collective buying.

The International Wholesale Society and the International Commission of Agriculture in 1935 concluded an Agreement establishing machinery for developing transactions between the Societies and Federations belonging to the two bodies.

(3) *International Co-operative Banking*.—The Basle Congress, 1921, formed an International Co-operative

<sup>1</sup> Dating from the meeting of a provisional Committee in Geneva, 1920, at which its objects were stated.

Banking Committee, which is seeking to develop international co-operation with a view to the establishment of an International Co-operative Bank. A meeting of national co-operative banks held on the occasion of a meeting of the I.C.A. Executive, in 1929, discussed a proposal for the practical application of international co-operative financial relations. Some co-operative banks, whose resources had increased, were unable to obtain for them a corresponding outlet in their own national co-operative movements; and in order to obtain revenue from such funds these banks had had recourse either to capitalist enterprises or to State investments. On the other hand, co-operative organisations in other countries which had needed capital had had recourse to capitalist banks in order to obtain the capital required for their development. The rôle of the International Co-operative Banking Committee was said to be a correlation of these two complementary requirements; and it was reported that a proposal had been received from a Co-operative Society which, in order to free itself from capitalist banks, was ready to contract a substantial international co-operative loan. It was felt that as the Committee had no juridical standing it would be impossible for it to negotiate such transactions; but the matter was referred to the Secretariat for study.

It is interesting to notice how co-operative savings in an industrial country have been placed at the disposal of agricultural producers' co-operative societies in another; e.g. the C.W.S. bank has lent money to the Western Australian Co-operative Wheat Pool and British consumers' trading organisations have given financial help to New Zealand farmers.

An International Co-operative Bank could accumulate considerable funds to finance co-operative and collective purposes and could divide the risks of calls on liquid capital. It could take profits on co-operative capital now going to capitalist financial interests.

(4) *International Co-operative Insurance*.—An International Co-operative Insurance Committee is seeking

to promote international concentration of resources in the matter of co-operative insurance. It aims at starting an International Re-insurance Institution. A first Conference was held at Stockholm in the autumn of 1935, of the representatives of insurance institutions affiliated to the Co-operative movement in the four Northern Scandinavian countries, on the invitation of the Swedish Co-operative Insurance Institutions. It decided that mutual collaboration would be of value and formed a small Committee to organise this more permanent collaboration and to convene a second Conference.

(5) *Wheat Pools' Organisation*.—In February, 1926, the International Conference of Co-operative Wheat Pools at St. Paul, Minnesota, comprising seventy delegates representing the Canadian Wheat Producers' Limited, eight out of the nine American States having wheat marketing associations, the four Australian Wheat Pools and "Centrosoyus", decided to form a permanent committee. The Third International Wheat Pool Conference was held at Regina, Canada, in 1928. It was attended by over 100 delegates including representatives of Great Britain, Australia, New Zealand, the U.S., Argentina, Italy and Russia. The President of the Manitoba Wheat Pool, who presided, explained that the decision to amplify the scope of the Conference so as to include co-operative organisations handling other commodities than grain was prompted by the realisation that all co-operators had common problems. Delegates included, for the first time, representatives of agricultural co-operative marketing societies concerned with products other than wheat, and, in addition to the General Secretary of the International Co-operative Alliance, representatives of the English and Scottish Co-operative Wholesale Societies. The Executive Committee of the I.C.A., at its November, 1928, meeting, said that the information gained by its General Secretary at this Conference confirmed afresh the urgent necessity of establishing collaboration between the organisations of consumers and those of agricultural producers. Con-



certed action by the world co-operative movement was felt to be required, so that agricultural production might be saved from world speculation and so that the necessary world trade in wheat might, with the help of the world organisation of consumers, be placed on a co-operative basis. Thus the farmer could receive a just remuneration for his work and the consumer could obtain a product not increased in cost by intermediary trade.

(6) *International Agricultural Co-operative Wholesale Society*.—The aim of the International Agricultural Co-operative Wholesale Society, founded in 1929, with headquarters in Rotterdam, is the collective purchase of the commodities required by agriculture, Chile saltpetre in particular. Membership of the Society is open to all organisations working on a co-operative basis and engaged mainly in the collective purchase of agricultural requirements. Each member society must acquire at least one 12,000 gulden share; and must take up a further share for every 10,000 tons of commodities purchased through the Society. Shares bear interest at 6 per cent. At the General Meeting each member has one vote for every share held but no member can have more than six votes. At the end of each financial year the net profits remaining after allowing for depreciation and transfers to the reserve fund are divided among the members in proportion to the business done by them with the Society.

(7) *Direct Relations between Co-operative Bodies*.—Mention already has been made of the Scandinavian C.W.S., at Copenhagen. Federations of Co-operative Marketing Organisations handling chiefly one product, in Australia, New Zealand and South Africa, joined in forming a common agency in London, the Overseas Farmers' Co-operative Federation, Limited, which also represented on the British Market the co-operative dairies of Latvia and the fruit growers of Seattle, Washington. This agency sold almost all the fruit produced by these three Dominions and was in direct connection with the English C.W.S. It made purchases for primary producers in New Zealand, Australia and

South Africa. In 1895, New Zealand farmers created in London their own organ, and were joined by South Africa in 1918 and Australia in 1920, developing into the above body in 1922. It handles wheat, butter, eggs, fresh and dried fruit, maize, wool, tallow, honey, meat, cheese, etc. Formed in 1921, the New Zealand Produce Association, Limited, is owned jointly and equally by the New Zealand Producers' Co-operative Marketing Association, Limited (comprising farmers organised in local marketing societies) and the English C.W.S. Its offices are in London and it functions as the importer and disposer of the factories using the Association, instead of another firm of importers. Its banking is handled by the C.W.S. Banking Department. It works on a percentage commission basis like other importers in Tooley Street; and any surplus is shared by the partners. The C.W.S. has first claim on produce received in London. Some years ago "Ratao" of Vienna, with members comprising the Austrian Wholesale Society, a private Austrian Society, the Russian State and Centrosoyus, was formed, chiefly to supply Russian Co-operative societies with textiles and to receive wheat and eggs from Russia. There is a Slav Agricultural Chamber representing Russia, the Ukraine, Yugoslavia and Czechoslovakia, as a joint marketing organisation for these countries' agricultural co-operative movements. Some years ago the Scottish C.W.S. entered into negotiations with the Swedish co-operative movement for the establishment of a linoleum factory under joint ownership. The Scottish C.W.S. has given credits to Centrosoyus. In 1929, an Agreement was made between the Co-operative Insurance Society, at Manchester, and La Prévoyance Sociale, of Brussels, providing for the acceptance by the British Society of a portion of the fire risks covered by the Belgian Society.

(8) *Baltic States' Co-operative Organisation*.—In 1928, a Union of Co-operative Federations of Esthonia, Latvia and Lithuania, was formed, with headquarters in Riga, for educational work, exchange of information as to

buying prices, organisation of the milk industry, export of eggs, purchase of linen, creation of a Central credit institution and co-operative Insurance questions.

(9) *Co-operative Competition with International Trusts.*—“Luma” was the first international productive concern run by consumers’ co-operative societies, in competition with the international trust with a world monopoly in incandescent electric lamps—“Phoebus”. It was created in the belief that national wholesale societies should combine in associations run on co-operative principles in an attempt to tackle international distribution and production problems. The Swedish Wholesale Society built the co-operative lamp factory and financed it. Meantime, it negotiated with the Wholesale Societies of Denmark, Norway and Finland and “Luma” was founded by them and the Swedish Wholesale Society. The joint body leased the factory from the Swedish Wholesale Society and managed it. There is a large General Meeting representing the constituent societies, a smaller Governing Board representing the societies and a directorate controlled by the Board. It forced the trust to lower its prices in Scandinavia.

(10) *Joint Committee on Inter-Co-operative Relations.*—Reference is made elsewhere to the formation of this Committee under I.L.O. auspices.<sup>1</sup>

These interesting co-operative developments on the international plane are an interesting and important form of international intervention in economic life according to collective principles. Like the national co-operative movements they introduce an element of rational organisation and economic stability based on collective principles into economic life: the international co-operative movements in particular are a valuable force in the movement for rationalising commercial relations. Like the national co-operative movements, however, they must find a limit set to their activities as the larger movement for collective intervention, controlled by public authorities, develops; but their part

<sup>1</sup> See pp. 152-3.

in the new collective economy will be an important one.

(e) OTHER FORMS OF INTERNATIONAL COLLECTIVE  
INTERVENTION

The need for further international action has been met through certain other forms of collective economic organisation: Municipalities have seen the advantages to be gained by developing their activities internationally. At the International Congress on Social Problems, held at Prague, in 1924, Senator Emil Vinck, Director of the International Union of Towns, Brussels, said:

In order to assist the systematic organisation of production in relation to the anticipated amount of consumption and to the available labour supply, which alone will bring salvation, the Union of Towns should establish offices, first nationally and later internationally. . . . The Director of the International Labour Office has been contemplating collaboration with the International Union of Towns in the direction of discovering what is being attempted by the larger urban centres of the world in the domain of social politics. . . . Partially escaping competition, a local authority may evolve on to a higher plane as employer and lure its manual and other workers towards the stage of civic emulation, realising between itself and its employees ever higher forms of collaboration.

Professor Edgard Milhaud attended the 1925 Congress of the Union of Towns in Paris on behalf of the I.L.O. In *L'Administration Locale*,<sup>1</sup> Nos. 30-1, an article pointed out that, as the largest entrepreneurs and employers of labour, Local Authorities could exert an influence on the labour market and the market in materials; and that there were great possibilities for arriving at an understanding on the distribution of public works in place and time. Possible international action was envisaged, and Monsieur Costinescu, Mayor of Bucharest, at the Paris Conference, suggested the establishment of an International Municipal Bank:

in several countries inter-municipal banking and credit establishments already exist; many German, Austrian and Dutch municipi-

<sup>1</sup> Organ of the International Union of Towns and Local Authorities.

palities have clearing houses . . . we could pass quite naturally to the formation of an International Municipal Credit Bank and Clearing House.

Those responsible for the work of the International Union of Towns and Local Authorities are inspired by the conviction that though organised action by Local Authorities would be but a small part of the world's economic reorganisation, nevertheless something could be done towards removing the world's economic anarchy in organising the migration of some productive forces, and in distributing public works over a period of time evenly and geographically.

The International Union of Towns and Local Authorities has been represented on the Permanent Committee on Road Traffic of the Advisory and Technical Committee of the Communications and Transit Organisation. It should form an essential link in the world's economic organisation of the future.

International action also has been taken by national bodies dealing with one specific economic problem. In conformity with the decision of the 1928 Paris Congress of International Housing and Town Planning in 1928 an International Housing Association was formed, with headquarters at Frankfort-on-Maine. It groups Public Authorities, official institutions, and various bodies interested in housing. It seeks to promote the formation of national associations for housing reform and spread information. There is also an International Federation for Housing and Town Planning, with headquarters in London.

## CHAPTER V

### REGIONAL INTER-STATE ECONOMIC GROUPINGS

WITH all our Imperial responsibilities and commitments we are still a member of the European system, vitally concerned in everything that affects the economic stability, and therefore the peace, of Europe. And, even from the purely material point of view, the prosperity of Europe is one of our major economic interests. . . . The importance of the Conferences lies, perhaps, chiefly in the fact that they constitute a real recognition by all the European Governments of the underlying solidarity of their economic interests. They may, indeed, without much exaggeration, be hailed as a first step on the road towards closer and better organised co-operation among European nations. The movement towards economic union, or at any rate towards a greater economic unity, in Europe is still in its infancy, but the economic circumstances of the present day ensure for it a rapid growth. In our age of rationalisation and of mass production, and of the application of science to industry and agriculture, a narrow nationalism is out of date. The changing conditions call for large economic units and more effective co-ordination. Just as the nations of the British Empire are being driven by economic pressure to achieve a greater measure of economic unity, so the nations of Europe will eventually be driven to a co-operative organisation of their production and their exchanges. There are difficulties in the way in one case as in the other: but in both cases the difficulties will be overcome because the need to overcome them is imperative. Those difficulties will be particularly felt in Great Britain, for there will be occasions when her interests and responsibilities as a great European Power will seem to be in conflict with her interests and responsibilities as the centre of a great world-wide Empire: in fact, such occasions may even arise at the present conferences. But fundamentally there is nothing antagonistic in the two movements.<sup>1</sup>

<sup>1</sup> *The Times*, 15.1.31, leading article; dealing with two Conferences of European Governments, convened under League auspices, to consider the problem of the surplus wheat of agrarian States in Eastern Europe.

While, under the severe pressure of economic necessity the different forms of the movement of international collective intervention have proceeded steadily in regard to specific commodities and branches of economic life, a parallel movement has occurred in the direction of organising permanent inter-Governmental co-operation in controlling economic affairs through larger economic units than those confined within normal political boundaries. This movement has included efforts to promote: Balkan economic unity; Danubian economic unity; Scandinavian economic unity; a United States of Europe; Pan-American economic unity; and British Commonwealth economic unity. Let us examine the sequence of events in these different movements.

(a) *United States of Europe*.—Following a request by a meeting of 26 European States Members of the League in Geneva, on 9th September, 1929, that he should submit proposals to be studied by Governments desirous of concluding an understanding for creating between European peoples a kind of Federal bond which would constitute a basis of permanent solidarity, on 17th May, 1930, M. Briand, French Foreign Minister, circulated to the Governments of all European States Members of the League a "Memorandum on the Organisation of a Régime of Federal Union in Europe". In this Memorandum the economic aspects of such co-operation were stressed, as this extract therefrom indicates:

IV. *Advisability of reserving, either for the next European Conference or for the future European Committee, the study of all questions of practical application.*

Among which are the following; Definition of the field of European co-operation, particularly in the following spheres: General economics.—Control of the policy of the industrial unions and "cartels" between different countries. . . . Economic equipment.—Realisation of a system of co-ordination between large public undertakings executed by European States (motor highways, canals, etc.). Communications and Transit.—By land, water and air: regulation and improvement of inter-European

traffic; co-ordination of the work of the European River Commissions; agreements between railways; European systems of posts, telegraphs and telephones; regulations regarding broadcasting, etc. Finance.—Encouragement of credits intended for the development of those areas of Europe which are least developed from the economic standpoint; European markets; monetary questions, etc. . . . It might be advisable . . . to create organisations for co-ordination and study, where they do not already exist (for instance, for European equipment or for the various European River Commissions). . . . It is the duty of the Governments to assume to-day their responsibilities, under penalty of abandoning to the perils of private initiative and unco-ordinated enterprise the grouping of material and moral forces, the collective control of which it behoves them to retain, as much for the benefit of the European Commonwealth as for that of humanity itself.

In its reply to the French Government memorandum, the British Government<sup>1</sup> expressed its "profound interest"; and its "fullest sympathy" with the attempt

to divert the attention of the peoples of Europe from the hostilities of the past and from the conflicts of interest between them which are sometimes alleged to exist, and to fix their attention instead upon the more important common interests which they share.

It agreed that it was primarily in respect of economic relations that closer European co-operation was urgently to be desired; and that for this purpose "economic questions should be considered, not one by one, nor in respect of isolated interests, but as a whole, and from the wider point of view of the general interests involved". It opposed, however, the creation of any new and independent international institutions and emphasised the British Government's position as a member of the British Commonwealth of Nations. The result of the work of the Organising Committee of the Preliminary Commission for Studying the Proposed Federal Union of Europe was a decision that the economic aspects thereof should be dealt with primarily. Though it envisaged, thus, something more modest than M.

<sup>1</sup> See *The Times*, 18.7.30.



Briand, who envisaged possible political achievements, it pointed to positive economic action. In this connection the decision to allow States non-Members of the League (especially Russia and Turkey as they then were) to be represented was very important. It was understood, of course, that this activity would be kept within the framework of the League. The history of the resultant Commission of Inquiry for European Union is traced, in broad outline, elsewhere;<sup>1</sup> but in this setting one or two special observations must be made. The first meeting of the European States in this connection, at Geneva, on 15th May, 1931, was historic, as being the first organised attempt at a collective solution of European economic problems. There was common agreement that Europe's economic ills could be cured only by centrally controlled remedial measures—though the view also was expressed that, under League supervision, effective remedies could be found by action on the part of smaller groups of European countries, growing gradually larger. This idea found expression, as will be seen shortly, in a number of regional European economic groupings. Whatever his attitude, no one needs convincing of the folly of the addition of new customs and currency systems in Europe after the Great War: the irrational and unnecessarily expensive production caused by dividing Central and Eastern Europe into smaller economic systems. The French Government, in two Memoranda, put forward very interesting proposals including: a joint Sales organisation, on which overseas countries would be represented, to help agrarian countries; the development of industrial and agrarian international ententes—international industrial co-operation was urged for the benefit of manufacturing countries, and the Memorandum referred to rails, steel, electrical equipment and chemical products cartels; the organisation of a European market, with centralised control; the establishment of an international mortgage credit Company; and the organisation of State loans on

<sup>1</sup> See pp. 67-72.

the international money market under the control of a new branch of the League, or of its Financial Committee.

On 23rd April, 1931, Dr. Beneš, then Foreign Minister of Czechoslovakia, addressing the Foreign Committee of the Chamber of Deputies, advocated a vast International Agreement on agricultural and industrial questions, embracing, *inter alia*, an agreement on industrial production and distribution, with the League as the final authority in connection therewith.<sup>1</sup>

This movement has not had the desired results; but it has left its mark on Europe's political and economic life. The idea was revived in the Peace Plan communicated by the French Government to the representatives of the three Locarno Powers, published on 8th April, 1936,<sup>2</sup> making suggestions for the consolidation of peace in Europe, *inter alia*, "by widespread economic and financial organisation within the framework of the League of Nations, taking particularly into account the needs of the European States". This plan envisaged the rational organisation of exchanges as the basis of economic co-operation.

The expansion of markets provides the first solution. A first expansion should be found in a preferential system applicable to the inter-European exchanges. Special economic relations leading as far as even a partial or total Customs Union would appreciably improve the economic conditions of certain European regions.

Security in exchanges is the second factor in economic progress. On the one hand, exchanges shall be protected by an international convention, or at least a European one, assuring guarantees against the abuse of protectionism either direct or indirect. The projected convention for concerted economic action established in 1931 by the League should be remembered to this end.

On the other hand, international exchanges must be protected against abusive interference on the part of States. The conclusion of a European Customs truce, made possible by an appreciably stabilised standard of living in Europe, shall be set up, as also an international tribunal of exchanges to avoid the denunciations of

<sup>1</sup> *Daily Herald*, 24.4.31.

<sup>2</sup> See *The Times*, 9.4.36, for the full text.

commercial agreements and breaks in international relations between peoples, so prejudicial to the regularisation and development of exchanges. Finally, monetary instability and the restriction of international credit will have to be fought particularly by means of the organisation of money and credit in the European framework.

The double necessity for a common reservoir of raw materials and for territory for expansion for surplus European production should lead to a revision of certain colonial statutes, not in the domain of political sovereignty, but from the point of view of equality of economic rights and the co-operation of credit between European states, which, having assured themselves of collective security and mutual assistance, will accordingly have to be considered as associates, not as rivals.

All the problems will have to be treated, once political security has been established, by a special section in the European Commission before being submitted, if necessary, to the League Council or a general conference to which non-League members would also be invited.

It is suggested that the organisations aimed at in the present plan should as far as possible be identical with those already existing in the League, or that the League should be asked to create those as yet not in existence.

Pan-European Economic Conferences, held from time to time, have sought to perpetuate the idea and to give it a fuller life. At the European Economic Congress comprising economists, politicians and business men, held at Basle, 1st-4th October, 1932, 26 nations were represented. The Commissions of Industrial Organisation and International Commerce held joint sittings, discussing, *inter alia*, the organisation of private cartels. This Joint Commission urged that Europe should be an economic unit. Some members of the Commission suggested that such a programme could be worked out by international organisations of particular industries. Others envisaged direct co-operation between industrialists and the speedy calling of a European Economic parliament. Three paths for achieving European economic unification were presented: (1) this economic parliament; (2) a European Convention of the kind of

the Ouchy Convention, for the ceasing of economic hostilities and progressive reduction of trade barriers; and (3) general acceptance of a "Contrat fédératif Européen". A resolution finally adopted was in the sense of the Ouchy idea. Mr. Amery suggested a European Commonwealth on the same lines as the British Commonwealth, giving continental protectionism. A resolution was adopted urging: (1) the establishment of an institution to study concrete economic problems; and (2) the specially narrow co-operation of States having common economic interests, such as Baltic States, Agrarian States of Southern and Eastern Europe, States possessing overseas colonies, and co-operation between the European agricultural and industrial States. The question of a five-year plan for Europe was also discussed. A further Pan-European Economic Conference, attended by delegates from twenty-one European States, met in Vienna, in May, 1934.

A European Economic Union has been formed at The Hague; as an international organisation for European co-operation in politics and economics. It decided to promote a European-American Institute. At the International Parliamentary Conference in London, in October, 1935, Mr. Amery urged the application of the regional principle in trading. He regarded Europe west of Russia as one region; and said that another natural region could be formed by the nations of the main block of the European continent together with their colonies—thus meeting the needs of countries without colonies. He wanted an international declaration expressing a general intention of permanent economic co-operation.<sup>1</sup> Other proposals for a five-year plan for Europe also have emerged.<sup>2</sup>

<sup>1</sup> *The Times*, 3.10.35.

<sup>2</sup> At a meeting of the French Committee for the Study of a European Customs Union, by M. Lucien Coquet, who proposed, *inter alia*, a system of compensation and clearing, with a European office (*Le Temps*, 19 11.31); and by M. F. Delaisi, *L'Etat Moderne*, March, 1932. "The Restoration of Europe by a Five Year Plan," including modernisation of agriculture, road building and navigation.

(b) *Little Entente, Balkan and Danubian Economic Unity.*—At a meeting of the Permanent Council of the Little Entente,<sup>1</sup> at Prague, ending on 1st June, 1933, it was decided to form an Economic Council of the Little Entente, comprising three national sections—a Czechoslovakian, a Yugoslavian and a Rumanian—each comprising five delegates, assisted by experts and specialists; to study, *inter alia*, agrarian questions, industrial problems, credit, financial and monetary problems, taking into account the three nations' common interests. The Economic Council itself would meet four times a year. To promote industry, three Mixed Chambers of Commerce were to be formed, one comprising Czechoslovakian and Yugoslavian members, another Rumanian and Czechoslovakian, and the third Rumanian and Yugoslav members. They would seek to unify traffic regulations and co-operate in organising shipping, aviation, telephonic, telegraphic and radio communications. Co-operation between the three Central Banks was envisaged.<sup>2, 3</sup>

In June, 1933, it was stated that within the Little Entente circles proposals were being renewed to form a Danubian Confederation, in order to make the Danubian States one territory for economic purposes. This Confederation would include, besides the Little Entente, Hungary, Austria and, perhaps, Poland.<sup>4</sup>

The Fourth Balkan Conference, 5th–11th November, 1933, decided in favour of closer economic co-operation between the Balkan States. A conference of representatives of signatories of the Balkan Pact which met in Angora, in October–November, 1934, created a Balkan Economic Council. Its statutes were similar to those of the Little Entente and its functions were to be: to report to the Bucharest meeting of the Conference, in 1935, on the possibility of improving economic relations

<sup>1</sup> Following a Pact signed on 10th February, 1933.

<sup>2</sup> *The Times* and the *Manchester Guardian*, 2.6.33.

<sup>3</sup> Further Conferences were held at Sinaia, 24th–27th September, 1933; and at Prague (Permanent Economic Council), in January, 1934 and in 1935.

<sup>4</sup> *Journal des Nations*, 22.6.33.

between these signatories and the development of communications, especially through the Danube and the Black Sea; and to create a Balkan Bank for developing tourist traffic between Turkey, Greece, Yugoslavia and Roumania.<sup>1</sup>

The Yugoslav Prime Minister, opening the ordinary session of the Little Entente Economic Council in October, 1935, urged still closer economic co-operation between its members, to augment the exchange of goods. At its third Conference at Bucharest, in January, 1936, the Balkan Entente Economic Council discussed means of facilitating trade relations between the component countries, of improving sea, air and land communications and of developing tourist traffic. In January, 1936, the Austrian Chancellor, at Prague, discussed with the Czechoslovakian President and Prime Minister, an economic *rapprochement* between Italy, Austria and Hungary, and the Little Entente, to develop economic, and thereby political co-operation, in Central and South-Eastern Europe. At the meeting of the Little Entente Economic Council in February-March, 1936, the Czechoslovakian Prime Minister referred to his conversations at Paris and Belgrade to prepare for a plan of economic *rapprochement* with the signatories of the Rome Pact. A preparatory conference of economic experts of the Little Entente States was convened, in Prague on 5th March, 1936, to discuss this plan. At Rome, on 23rd March, 1936, the Italian, Austrian and Hungarian Governments signed three additional protocols, supplementary to the protocols of Rome, March, 1934, providing for the harmonising of their action to an even greater extent, in the economic, as in other fields, and for the formation of a group of these countries. A permanent organ of reciprocal consultation, constituted by the Foreign Ministers of these three States, was formed, to meet periodically. These three Governments agreed on the utility of developing their economic relations with other Danubian States.<sup>2</sup>

<sup>1</sup> *The Times*, 3.11.34.

<sup>2</sup> *The Times*, 25.3.36.

(c) *Scandinavian Economic Unity*.—A meeting in Stockholm, in 1934, of the Foreign Ministers of Denmark, Finland, Norway and Sweden, was followed by a meeting of delegates of their Governments (with an Iceland representative), at Copenhagen, in 1935, to promote the development of trade and economic relations and co-ordinate more closely foreign commercial policy. A Committee was appointed to handle common export questions.

(d) *Baltic Economic Unity*.—Following on a Conference at Riga, 8th–9th September, 1933, at Kovno, on 9th July, 1934, representatives of Lithuania, Latvia and Esthonia reached a partial agreement regarding the formation of a union between the three States.<sup>1</sup> At a Conference of these States at Kaunas, on 8th May, 1935, measures were initiated for their practical union into one larger economic unit.<sup>2</sup>

(e) *Belgian-Luxemburg-Netherlands Economic Unity*.<sup>3</sup>—Following the Oslo Convention of December, 1930, between Belgium, the Netherlands and the Scandinavian countries, in 1932 Belgium and Luxemburg, already bound by a customs' union,<sup>4</sup> concluded a Convention for closer economic relations with the Netherlands at Ouchy on 20th June, 1932;<sup>5</sup> but on 10th August, 1933, the Netherlands decided to postpone ratification—the other States not having ratified.

(f) *Proposed Austro-German Customs' Union*.—The tentative Austro-German Customs' Union came before the Permanent Court of International Justice which, on 5th September, 1931, decided, by eight votes to seven, that such a régime as was envisaged (by the Protocol of 19th March, 1931) was incompatible with Article 88 of the St. Germain Treaty and with Protocol No. 1 signed, at Geneva, on 4th October, 1922.

<sup>1</sup> In 1921 an attempt to form a loose union, including these three States and Poland and Finland, failed.

<sup>2</sup> *The Times*, 11 7.34 and 10 5.35.

<sup>3</sup> See § I, 11.2.33. Lecture by Count Carton de Wiart on "Regional Economic Ententes".

<sup>4</sup> Concluded in 1921.

<sup>5</sup> *The Times*, 21 6.32.

(g) *British Commonwealth Economic Unity*.—Side by side with these steps towards closer European economic co-operation proposals have emerged to promote economic unity within the British Commonwealth.<sup>1</sup> Labour and trade union leaders as well as industrialists in Great Britain have urged this policy, which has not, however, found a real echo in the Dominions, which think more in terms of preferences than in those of organising Commonwealth trade.

On 2nd September, 1930, the Trades Union Congress, at Nottingham, adopted a memorandum of the General Council on Economic Groups and Imperial Trade Development, advocating conscious regulation and control of economic forces. Viewing the tendencies towards the formation of economic bloc it stated that for Great Britain the most practicable bloc would be a British Commonwealth group, which would not affect support of the League, but, on the contrary, permit a better effort to strengthen its scope and authority. The Commonwealth, it said, should be organised as a unit of production, manufacture and distribution. European or other International Agreements regarding coal and steel, for example, would not be prevented. Regular Economic Conferences of the constituents of the Commonwealth should be held and a Commonwealth economic secretariat should be established, on similar lines to the Economic Organisation of the League of Nations, to survey raw materials, productive capacity, markets, etc., with a view to their conscious control. Raw materials and markets are necessary to nations, and in these matters nowadays there is no such thing as freedom. Every nation and, in practice, if not in theory, every party has long since abandoned the notion of complete freedom of trade (which incidentally would necessitate freedom in buying and selling labour). In almost every aspect of economic life regulation and conscious control

<sup>1</sup> See, *inter alia*, *The Times Trade and Engineering Supplement*, British Empire Products Number, 1930, article by Mr Walter Elliot, M P, on the rationalisation of industry on an Empire basis



of economic factors and forces is the accepted policy. Differences concern only the amount of regulation and control. It may or may not be desirable to hold up world-wide freedom of trade as an ultimate ideal; but it is not and cannot be a working aim, in the immediate situation of the world to-day. The notion that human welfare is, by some dispensation of Providence, best advanced by a complete absence of restrictions on "freedom of trade", did not survive beyond the very early years of the nineteenth century. Laissez-faire stood condemned, world federation was the ideal. It was essential to take steps such as these towards it, on the basis of facts. Such was the gist of the memorandum adopted. At the British Commonwealth Labour Conference, in London, on 22nd July, 1930, the Australian delegate, who presided, also advocated a Commonwealth grouping.<sup>1</sup> On 24th September, 1930,<sup>2</sup> the Trades Union Congress General Council and the Federation of British Industries sent to the Prime Minister joint recommendations for a better economic organisation of the British Commonwealth. There was agreement in demanding an early Commonwealth Trade Conference of Government officials concerned with economic and trade questions, and representatives of workers and employers in industry, agriculture, commerce, finance and shipping, to lay down a sound basis for Commonwealth policy. The Conference would be for the Commonwealth what the 1927 World Economic Conference was for the whole world; and should be a permanent part of Commonwealth machinery, meeting before each Imperial Conference. It advocated a permanent Commonwealth economic secretariat drawn from all parts of the Commonwealth.<sup>3</sup>

At the Imperial Conference, 1930, held in London,

<sup>1</sup> *The Times*, 23 7 30.

<sup>2</sup> *The Times*, 25 9 30.

<sup>3</sup> See also *The Times Trade and Engineering Supplement*, 23.5.31, Empire Products Section: "Ottawa Conference An Imperial Economic Secretariat needed", by Sir G. Vyle, Chairman of the British Preparatory Committee for the Imperial Conference, 1930.

1st October–14th November, 1930,<sup>1</sup> the British Labour Government suggested, as means of increasing Imperial trade, quotas, import boards, bulk purchase, direct exchange of commodities and promotion of Agreements between industrialists and improved machinery for inter-Commonwealth consultation in economic affairs. The Conference expressed the belief that the further development of inter-Imperial markets was very important for the various parts of the Commonwealth. It adjourned the Economic Section to a meeting at Ottawa within the next year. It suggested: that the organisation of an Intelligence Service on a Commonwealth basis should be considered; that the creation and assimilation of Empire standards in regard to many trades, both of primary production and manufacture, should greatly simplify the promotion of inter-Imperial trade; and that further steps should be taken, under the lead of the League Economic Organisation, to secure that trade statistics compiled by various Governments of the world should be based on such common rules as would render them more truly comparable. It also considered that the Imperial Economic Committee should continue; and investigate marketing of Empire foodstuffs into the U.K., study production for export and marketing in various parts of the world of raw materials enumerated in the Fifteenth Report of the Committee and examine and report on other economic questions referred to it by the Governments of the Commonwealth. It proposed that a Conference of Statistical Offices of the various parts of the Commonwealth be held in September, 1932, at Ottawa.

The Imperial Economic Conference was held at Ottawa, from 21st July to 20th August, 1932.<sup>2</sup> It recommended the appointment of a Committee of not more than two representatives of each participating

<sup>1</sup> See *Imperial Conference, 1930. Summary of Proceedings, 1930*, Cmd. 3717, and Appendices, Cmd 3718.

<sup>2</sup> See *Imperial Economic Conference at Ottawa, 1932. Summary of Proceedings and Copies of Trade Agreements* (Appendices published separately in Cmd. 4175), Cmd. 4174, 1932.

Government, to consider means of facilitating economic consultation and co-operation between the several Governments of the Commonwealth, including a survey of the various existing agencies,<sup>1</sup> and an examination of any alterations or modifications in the existing machinery for co-operation that may be necessary; its report to be considered by the Governments by September, 1933. The South African and Irish Free State Governments would not associate themselves with any project for setting up a permanent economic secretariat. The Conference considered: that it should be the object of any policy of industrial co-operation within the Commonwealth to secure the best division of industrial activities among the several parts of the Commonwealth and the ordered development of each part with a view to ensuring the maximum efficiency and economy of production and distribution; and that the precise nature and extent of such co-operation in any particular industry must largely depend on effective consultation between those engaged in that industry in any two or more parts of the Commonwealth; and recommended to the various suitable industries: the desirability of making early arrangements for such consultation, which should be conducted between responsible persons or bodies adequately representative of the industry in the part of the Commonwealth concerned; that Governments should aid such consultation and that they should consider sympathetically any proposals made giving effect to the principle of industrial co-operation.

The main work of the Conference was not to develop organised Imperial economic co-operation in the direction that many people had hoped, but merely to provide for

<sup>1</sup> Including the Imperial Economic Committee, Imperial Shipping Committee, Empire Marketing Board, Executive Council of the Imperial Agricultural Bureaux, Imperial Institute, Imperial Communications Advisory Committee, Mechanical Transport Council, Imperial Forestry Institute, Empire Timbers Committee, Wool Industries Research Association and the Empire Cotton Growing Association. See Appendix 5. Committee on Methods of Economic Co-operation. Sub-Committee on Procedure. Report of Special Committee on Existing Machinery for Economic Co-operation, Cmd 4175, 1932, pp. 849-57, for a description of their composition and functions.

extending trade by means of reciprocal preferential tariffs.<sup>1</sup> In the Agreement between the U.K. and Australia, however, quantitative regulation of meat imports into Great Britain was admitted. The Conference, like that of 1930, urged that the policy of co-operation in co-ordinating industrial standardisation within the Commonwealth should be developed.

On 3rd March, 1932, a Trade Union Congress General Council deputation waited upon the Secretary for the Dominions and reiterated the views communicated to the Government on 24th September, 1930. In May, 1932, a report, entitled *Industries and the Empire*, was drawn up by an influential committee of the Federation of British Industries, under the Chairmanship of Sir Hugo Hirst, for presentation to the forthcoming Ottawa Conference. It stressed the paramount need for a policy of Empire economic co-operation and demanded the "zoning" of production and conscious control of investment policy to promote Empire development. The report said that if the nations of the Empire combined to facilitate trade within the Empire they could create a vast unit of world trade to their own benefit. It called for a Conference on complementary production between manufacturers in a particular industry in Great Britain and in a given Dominion, to explore the feasibility of an arrangement whereby the production of certain goods should be recognised as being the province of the Dominion manufacturer, whereas others would be regarded as better left to the United Kingdom manufacturer. The aim would be to concentrate industrial effort in the Dominions upon those branches of each industry for which conditions were suitable, and on a basis of Empire standardisation. The Federation urged

<sup>1</sup> In special Tariff Agreements between the U K. and Canada and Australia an interesting clause was inserted, providing that "the tariff should be based on the principle that protective duties in Canada and Australia and New Zealand should not exceed such a level as would give U K. producers full opportunity of reasonable competition on the basis of the relative cost of economic and efficient production, provided that in the application of such principle special consideration should be given to the case of industries not fully established."

the fullest exploration of the possibilities of conscious direction of the investment power of the Empire towards the development of Empire resources; and that every effort should be made to create a financial and monetary system revolving round sterling. The Report again urged the necessity of a permanent Empire organisation for the study and correlation of information.<sup>1</sup>

In accordance with the recommendations of the Imperial Committee on Economic Consultation and Co-operation, the Imperial Economic Committee was reconstituted as from 1st October, 1933, when it ceased to be the responsibility of the U.K. Government and became the responsibility of the British Commonwealth of Nations. Its composition and the number of representatives of each part of the Commonwealth are settled by Agreement between the Governments on a basis of constitutional equality. The Governments appoint the members and reports are addressed to all the Governments. All Governments provide finance in agreed proportions and the resultant fund is controlled by all Governments through their representation on the Committee. It has published various trade surveys.<sup>2</sup>

In August, 1935, four Western Australian citizens suggested the adoption of a plan of reciprocity in public works in the Commonwealth, to reduce unemployment and stimulate trade. This plan envisaged, for example, a Committee of Imperial Development representing Britain, the Dominions and the Colonies, to which public works plans would be submitted and which would decide upon the supply of raw material, etc., from the various parts of the Commonwealth.<sup>3, 4</sup>

(h) *Pan-American Economic Unity*.—Mention is made elsewhere<sup>5</sup> of the steps taken to promote closer economic co-operation on the American continent. As regards

<sup>1</sup> *The Times* and the *Daily Herald*, 6.5.32.

<sup>2</sup> See Report covering the period 1st October, 1933, to March, 1935, Stationery Office.

<sup>3</sup> *The Times*, 25.8.35

<sup>4</sup> See also Dr Earle Page's reference to an Empire Meat Council see p. 201

<sup>5</sup> See pp. 139-41.

economic questions, Pan-American Conferences are confined to inquiry into the economic interests of American States. The Argentine delegation's proposal at the Pan-American Conference at Montevideo, in December, 1933, for the appointment of the Ninth Committee for Commercial Questions, had given rise to the idea of convening a Pan-American Commercial Conference, which was held at Buenos Aires, in May, 1935. The aim was to improve channels of inter-American economic policy: a new economic policy in America was adumbrated. In the Second Committee of the 1935 Assembly, the Argentine delegation recalled the Montevideo Pan-American Conference Resolution on economic questions calling for the promotion of commercial relations between American States. The Conference of American States Members of the I.L.O. at Santiago de Chile, in January, 1936, considered economic problems.<sup>1</sup> The Governing Body of the I.L.O. was asked to consider the holding of further similar conferences. In February, 1936, President Roosevelt wrote to the heads of all Latin-American States suggesting the holding of a Pan-American Conference to discuss the organisation of peace in the Western hemisphere and reinforce the work of the League and other peace agencies. On 17th March, he stated that all the Governments had agreed to this proposal.<sup>2</sup>

<sup>1</sup> See *Industrial and Labour Information* (I.L.O. Weekly), 2 3 36; and pp. 140-1 of this volume

<sup>2</sup> This Conference brought together nations including nineteen League Members and one member of the League Council. It was intended to "divert our economic energies to the development of the resources of the Western Hemisphere".

## CHAPTER VI

### FROM LAISSEZ-FAIRE TO WORLD ECONOMIC ORGANISATION<sup>1</sup>

THESE facts indicate how the world's economic life has moved inexorably towards a collective basis: the international collective economy is taking shape. Unfortunately the theories dominating the League's Economic

<sup>1</sup> See, *inter alia* *Annales de Géographie*, 15 3-32, pp 113-30, "Aspects Nouveaux de l'Economie Internationale", by A. Demangean (in which the writer sees the solution of economic difficulties in the co-ordination of the various national economies); *Annals of Collective Economy*, Geneva, 1925 to date; Foreman, C.: *The New Internationalism*, London, 1934, Geneva Institute of International Relations: *Anarchy or World Order* (Lectures), London, 1936; Giraud, René: *Vers une Internationale économique*, Paris, 1931, and *Economie de L'Europe Future*, Paris, 1931; *La Critique Sociale*, October, 1931, pp 97-103, "L'Economie Dirigée", by Lucien Laurat; Harrod, R. F. *International Economics*, London, 1933; Hoover, C. *Bolshevism, Fascism and Capitalism*, New York, 1932; League of Nations—International Labour Office *Report of the Director (Annual)*, op. cit., and *International Labour Review*, April, 1936, "The I.L.O. and World Economic Policy," by L. L. Lorwin; Melchett, Lord *Modern Money: A Treatise on the Reform of the Theory and Practice of Political Economy*, London, 1932; Milhaud, Edgard: *L'Organisation Economique de la Paix*, Minost, E. *Aux Confins de la politique et de l'Economie internationales. Les Co-opérations Interétatiques*, Paris, 1929; Money, Sir Leo Chiozza: *Product Money: a Sequel to Riches and Poverty*, London, 1933; Rappard, W. *Uniting Europe: the Trend of International Co-operation since the War*, New Haven, 1930; and "The Beginnings of International Government", in the *American Political Science Review*, November, 1930, *Reports of the World Congress on Social and Economic Planning*, at Amsterdam, 1931, Siegfried, A., and others: *L'Economie Dirigée*, Paris, 1934; Simpson, K.: *Introduction to World Economics*, New York and London, 1934; Valois, Georges: *Un Nouvel âge de l'Humanité*, Paris, 1929; Wagemann, E.: *Struktur und Rythmus der Weltwirtschaft Grundlagen einer weltwirtschaftlichen Konjunkturlehre*, Berlin, 1931; *Week-End Review*, 7.1.33, pp 5-6, "Internationalisation", by H. de Jouvenel; Weishaar, W., and Parris, W. W. *Men without Money: the Challenge of Barter and Scrip*, New York, 1933; Wibaut, F. M. *A World Production Order; "Un Plan Mondial Socialiste"*, taken from a booklet *De Redding*, Documents et discussions Supplément aux informations internationales (I.O.S.), 24 3-32, pp. 173-6, and "La Production Mondiale Dirigée", *Bulletin Périodique de la Société Belge d'Etude et d'Expansion*, December, 1932, pp. 443-9, Zimmern, A.: *The League of Nations and the Rule of Law, 1918-1935*, London, 1936

activities have prevented the co-ordination and organisation of this movement, the various forms of which have been set forth in the preceding pages. That vital task urgently awaits fulfilment.

The world's post-war economic experience has revealed the folly of the policy of laissez-faire which guided the nations' external economic relationships before the Great War and which has not yet been discarded. Laissez-faire implies economic anarchy. It has meant that the capitalists of the various countries have invested capital and produced and distributed commodities just as they have felt inclined, in the natural pursuit of their profit and individual interests, with no relation to or knowledge of the real needs and economic conditions of the peoples of other countries, and with no power to control the resultant, inevitable fluctuations in economic life.<sup>1</sup> It has led to economic imperialism, the struggle for raw materials, spheres of influence and markets, which has inspired, behind the scenes, the foreign policies of the Great Powers. Along with this addiction to laissez-faire has gone the blind belief in the virtues of competition and of undisciplined private enterprise in the international economic sphere. Orthodox economists taught that, in the international, no less than in the national field, economic efficiency and the people's well-being could be ensured only by the free play of the forces of supply and demand around an abstract market, in which buyers and producers freely came to make terms; and that only private enterprise and individualism could supply the necessary initiative and run the risks inevitably associated with the development of business and the pursuit of economic progress. Therefore the unchallenged assumption underlying all orthodox economic teaching was that the well-being of the nations was secured through the free pursuit by individual businesses

<sup>1</sup> "The machinery of production and distribution evolved by business men has proved to work badly as a whole, so society is seeking in self-defence to impose more and more general requirements for efficiency." Prof. R. Tugwell, head of U.S. delegation at the Twelfth General Assembly, International Institute of Agriculture, Rome, 24th October, 1934 (*The Times*, 25 10.34.)



of their own economic aims and ambitions: that somehow their hovering around a theoretical free market would give the consumers of the various countries the maximum satisfaction.<sup>1</sup> The corresponding commercial policy was free trade. Some countries thought that they could get some relief from the ravages of this disordered production by resorting to protective and tariff measures; but the barren controversy between these rival capitalist schools left the peoples the helpless victims of the fluctuations resulting from uncontrolled capitalist production, ignoring the underlying evil, unorganised production and trade.<sup>1</sup> In no country, before the Great War, was there immunity from the fluctuations that came periodically; and many countries felt the hardships of a more difficult access to certain raw materials, markets and credits, than some other countries experienced.

This system collapsed speedily in 1914, under the strain of war. For about five years practically the whole of the world (outside the Central Powers) organised itself on a collective economic basis; the individualist and competitive economy being ruthlessly superseded. In the great emergency, undisciplined private enterprise and free competition failed to "deliver the goods". It was essential to apportion raw materials, markets and credits, on the basis of national and human needs, in the pursuit of an ideal. Not only a whole continent, but several continents, had their whole economy governed by the collective principle. Those forms of consolidation and unification of separate industries that had grown up in individual countries were utilised to facilitate public control of production and distribution of essential commodities. When the war and early post-war emergency had passed, however, the nations soon reverted to their earlier foolish behaviour in economic matters. Economic nationalism became stronger, tariff barriers increased.

<sup>1</sup> Cf. Prof. Tugwell's address to the Twelfth General Assembly of the International Institute of Agriculture, in which he condemned "the international anarchy of so-called free trade" and protectionist nationalism, and referred to Governments' increasingly extensive rationalisation of their external trade relationships.

The private and individualistic economic forces tended to concentrate in powerful national and international organisations and monopolies, also unable to ensure complete economic harmony. In fact, as the futile and pathetic efforts at Geneva showed, nations were just as unwilling to surrender their national economic armaments as they were to abandon their national armaments. In the approach to these twin problems of economic progress and disarmament there is much in common. Just as armaments are inevitable until a constructive alternative security, in the shape of effective arbitration backed by an international police force, is forthcoming, and certain, so, tariff walls and nationalistic, protective economic policies are inevitable until the nations are provided with an alternative economic security, in the shape of a world economic organisation controlling the main currents of the world's economic life and guaranteeing economic justice for all peoples.<sup>1</sup> The only solution worth advocating is an Economic League of Nations; and to the achievement thereof all the energies of statesmen with a constructive outlook and of earnest pacifists should be directed. An Economic League is the only guarantee of permanent peace and of economic health, justice and prosperity. The nations, however, will not resort to this or give it, if created, a firm foundation, unless they reject the principles of economic orthodoxy and embrace the new economic principles of the collective economy. Belief in laissez-faire must be replaced, as the mainspring of economic action, by a firm belief in world economic organisation. As Albert Thomas, in a penetrating report presented to the Thirtieth Congress of the National Federation of Consumers' Co-operative Societies,<sup>2</sup> said:

We cannot share the free-trade optimism which presupposes an economic milieu where numerous elementary forces by their

<sup>1</sup> As M. Loucheur wisely remarked, at a meeting of the Economic Consultative Committee, before nations will consent to throw off their economic nationalism they want some guarantee of protection against the evils which they have thus sought to counteract.

<sup>2</sup> At Lille, 13th-14th May, 1926.

mutual reactions assure a natural order. This quite theoretical hypothesis has never been realised in fact, and economic evolution departs from it more and more.

To-day we find ourselves in the presence of a few powerful forces dominating individual economic activities: cartels, syndicates, trusts, great banks and State monopolies, and the central organisations of the co-operatives. Between these great forces it is either a question of rivalry or of precarious ententes, offensive or defensive coalitions, an ambiguous state of affairs, where organisation is insufficient to ensure harmony and order, but where it is nevertheless sufficiently advanced to increase the scale of crises and conflicts and to render formidable in its consequences the least trouble; we have arrived at the most perilous stage of economic evolution. To pass beyond it we must not be held back by the illusions of the doctrines, now outworn, of *laissez-faire*; on the contrary we must look further ahead, and go farther still in the path of economic organisation. There is no order possible but an order deliberately sought and planned. We must apply ourselves to its realisation by an active and constructive policy.

Geneva has failed politically because it has not tackled boldly the world's economic problems; and this failure has been due to an unreadiness to jettison the ideas of *laissez-faire* and free-trade. Since the 1927 World Economic Conference, which could only harp on the free-trade theme, and therefore failed, politicians and economists have tried at Geneva to find a solution by advocating a return to free-trade ideas and by an attempt to abolish or reduce trade barriers through the negotiation of commercial treaties. They have talked of "freer trade" when free trade failed them. The Economic Consultative Committee has had to lament that the attempt to apply this Conference's solution of opposing economic nationalism, as expressed in huge tariff walls, by *laissez-faire* and a return to free or "freer" trade, has failed. The efforts at promoting a Tariff Truce failed. All the warnings of the Economic Committee against the folly of tariffs have failed because they have come from Liberal free-trade economists. The Monetary and Economic Conference also failed because these ideas, though on the wane (as indicated in the work of the

Sub-Commission of the Economic Commission on Co-ordination of Production and Marketing), still were dominant.

The period of the 1935 Assembly saw a curious situation, in which these futile, antiquated economic ideas still predominated in the Assembly's economic discussions, but the exigencies of the Italo-Abyssinian war prompted the nations to devise collective economic measures to protect the League. Thus, once again, a war menace has been necessary to induce the nations to contemplate collective action in their economic affairs on a large scale. Let us look at the work of this Assembly in the economic sphere. True, the Economic Committee's report before it emphasised the inadequacy of isolated efforts by States acting without any international plan; but the only line of action envisaged by it was a movement towards "freer trade". In the Second Committee the French Government delegate, M. Bonnet, talked in the same terms. "Public opinion in each country should be informed of the harmful effect of the policy followed for the past ten years. The first duty of the League is to throw full light on the effects of that policy on mankind and on society." Individual efforts at recovery should not be carried on unaided; but completed in both the monetary and commercial field by efficient collaboration between nations. "There is no end to the depression save by means of international understanding and co-operation." Yet he could only talk in terms of a return to an international gold standard, the encouragement of freer trade through bilateral agreements. Dr. Burgin, British Government delegate, made an even feeble contribution. He wanted no further unilateral action but merely called for lower tariff barriers and the freer movement of commodities. The U.K. Government, he said, had made numerous Agreements for the purpose and had extended (in accordance with the most-favoured-nation principle) concessions made in these Agreements to all countries entitled to benefit by most-favoured-nation treatment. If, in an

Agreement, the other country made a concession and the principle were based on fair treatment, its application would result in lower tariffs, granted in particular cases, over whole customs systems. The general U.K. policy was stated to be, Agreements based on the most-favoured-nation principle. There was no indication in the resolution adopted by the Assembly, on the proposal of these two Governments, of the need for immediate collective *organisation*<sup>1</sup> of world trade. The inability or unreadiness of politicians to take appropriate action also was reflected in the letter of the Secretary of State of the U.S.A.<sup>2</sup> to the Chairman of the Second Committee of the 1935 Assembly, regarding the work of the Second Committee concerning economic and financial questions. He welcomed as "most dramatic and encouraging" the leading conclusion of the Committee that the adoption of more liberal international trading policies is "indispensable" to further recovery; and the recommendation that bilateral Trade Agreements should be concluded and that "the beneficial effects of such Agreements will be the more widespread when based upon the principles of the most-favoured-nation clause". The strongest hint that more vigorous action was necessary came from the Czechoslovakian Government delegate, who urged that the campaign against the depression must be on international lines.

A certain governmental action seems to-day indispensable. . . . It must not be imagined that it is possible to come back entirely to the old order of things. Planning is, moreover, a practice in many countries and international co-operation between nationally directed economic systems would be useful, and possible.

In leading British Conservative circles these ideas are dimly being perceived. At the International Parlia-

<sup>1</sup> The necessity of "organising" transactions between nations, as of widening economic relations, by international arrangements, was emphasised by M. Flandin, in an address to the Cobden Club, London, on 31st March, 1936. It was in that direction, he insisted, that the essential remedies to the present slump must be sought.

<sup>2</sup> Dated 28th September, 1935, and read by the President at the Assembly, morning session, on that day.

mentary Commercial Conference, in London, in October, 1935, Mr. Amery moved a resolution, which met with no opposition, condemning as an anachronism in the modern world the most-favoured-nation clause which, though intended to promote universal free trade, with the rise of protectionism, ceased to have that effect and had been one of the causes of the depression. The resolution urged that it should not apply as against States that were ready to establish a system of mutual economic co-operation on a regional or historical and political basis.<sup>1</sup>

Some people fondly hoped that the solution would become easier with the sending of Socialist Government delegates to the League; but Socialist Government delegates from Germany, Sweden, Denmark and Great Britain have advocated Liberal Free Trade policies. Although the British Labour Party had inspired the case presented to the 1927 World Economic Conference against the Free Trade views of the majority, the British Labour Government went to the 1929 Assembly and advocated merely a two-years' tariff truce; although it should have known well that this could bring no healing to a stricken world.<sup>2</sup> The co-operative movement has clung as desperately to the policy of free trade. At the Vienna, 1930, Congress of the International Co-operative Alliance, Albert Thomas, speaking as a member of the French Co-operative delegation, created a sensation by moving as an amendment to a resolution a declaration that co-operators should oppose their own conceptions of a co-operatively organised economy to the doctrines of the Liberal economists, free trade, "which are those of a disorderly competition". All the Congress did was to refer it to the Committee on Economic Policy, where it was conveniently shelved; as most co-operators, outside France (certainly those in Great Britain!), have a pathetic, old-fashioned belief in free trade. The British trade union movement, however, has been changing its

<sup>1</sup> *The Times*, 3.10.35.

<sup>2</sup> Cf. my article, "Socialism, not Free Trade", in the *New Leader*, 13 6 30.

outlook. It is interesting to observe that its 1930 Nottingham Congress took a view similar to that of the French delegation at the above-mentioned 1930 Vienna Congress, opposing the laissez-faire attitude of Liberal economists. In his presidential address to the Congress, Mr. Beard condemned as "bad economists and bad Socialists" those who made a fetish of protection or free trade; and affirmed that trade unionists believed in interfering with the immutable economic laws: to Free Trade he opposed regulated trade.<sup>1</sup> Again, the General Council of the Trades Union Congress, in adopting a report on fiscal policy, in June, 1932, repudiated laissez-faire very strongly. An increasing number of economists, scientists and business men have realised that these antiquated theories of international laissez-faire must go—as is seen, for example, in the reports of the discussions at the World Social and Economic Planning Congress at Amsterdam, in 1931.<sup>2</sup> M. André François-Ponçet, at the meeting of the French National Economic Council in November, 1930, said that he objected to a Socialist economy; but that France must depart from the old Liberal economy and the Government must intervene to regulate economic phenomena and animate, initiate and direct conflicting private interests: the State must supervise industrial ententes. He condemned the policy of Liberal economic anarchy; capitalism, in its crisis, turned, he said, from individualism and Liberalism towards collective economy, to new forms and international control.<sup>3</sup> Business men are coming to take a more far-sighted view. A well-known British ship-builder a few years ago urged the necessity of suppressing competition and practising co-operation. Mr. W. L. Hichens, Chairman

<sup>1</sup> "We believe in the regulation and conscious control of economic factors and forces . . . The opposite of Free Trade is not tariffs. It is regulated trade."

<sup>2</sup> Under the auspices of the International Industrial Relations Association.

<sup>3</sup> See also *Bulletin Périodique de la Société Belge d'Etude et d'expansion*, December, 1932, pp 443-9, "La Production Mondiale dirigée", by F M Wibaut, a Belgian Senator, and *Annales de Géographie*, 15 3-32, pp 113-30, *op. cit.*

of Messrs. Cammell Laird & Co., Birkenhead, advocated the supersession of "the incredibly haphazard and wasteful methods of unrestricted individualism" by international trade organisations whose purpose it would be to adjust world supply and world demand by scientific study and research. Combination, he said, would have to take the place of isolated individualism; co-operation would have to succeed competition; and methods of rationalisation, beginning in this country, would, in course of time, extend throughout the international industrial field. The time had come, as it had to come, when supply exceeded demand.<sup>1</sup> The International Chamber of Commerce, at its Washington meeting, in May, 1931, revealed a striking unanimity of view that both national and international economic life must be subjected in a far greater degree to planning and control than formerly.

The great truth, however, is that technical evolution, far stronger than political or theoretical economic preconceptions, or even the urge of vested interests, is pushing the world towards an ordered international economic life: towards a world economy. With the development of modern power-producing conditions the world has become a single economic system, of which a fundamental feature is that consuming power is not related to the abundance of the new productive power, is shared so unequally as to threaten the continuity of the system itself, and compels the development of world economic organisation. The world's economic life has evolved through the village and the town to the national economic basis; and now it has evolved to an international basis. The division and specialisation of labour have a new meaning: they must characterise a world, and not merely a national economy. Maximum production for

<sup>1</sup> Mr. Woodlief Thomas, speaking of the vast co-operative war organisation of business, in which business leaders shared, said: "In a number of cases old theories regarding the beneficent influence of free competition were found wanting". (*American Economic Review Supplement*, March, 1928, p. 131, "The Economic Significance of the Increased Efficiency of America")



the world will not be achieved under the laissez-faire system. Countries, instead of concentrating on the production of goods for which they have a differential advantage (for example in special soil, skill, climatic conditions, raw materials or transport facilities), aim at economic self-sufficiency and build up infant industries which they desire to protect; and erect tariff barriers in attempting to counteract an advantage which the injustice of the present system gives to other nations. Goods should be produced where it is economically most profitable from the point of view of the world as a whole and not from the point of view of private profit, speculative investment and narrow national interests. Instead of the insane struggle for markets, because there has been no international division of labour and specialisation, with all the economic fluctuations and misery inflicted by countries on one another, as their national economies undergo changes in their economic circumstances, there should be an international arrangement of production, rationing of markets and an agreed basis of exchange of commodities between the nations. There must be fundamental instability under the laissez-faire régime. To-day, although there is under-production in relation to the poverty of the mass of peoples of the world, there is over-production in terms of their effective purchasing power. At other times there is such under-production as occurred just after the Great War ended. Laissez-faire international capitalism spells a divergence between supply and effective demand: the accumulation of a "profit" surplus which cannot be absorbed. Only the "regulated market of the controlled economy" will offer more security, which is what the present generation wants . . . It is in this direction that all the social and political forces are striving with might and main."<sup>1</sup> This is the true rationalisation. This principle of scientific management is being applied to national industries and national economy: it must be carried a step further and

<sup>1</sup> *American Economic Review Supplement*, March, 1931, pp 8-9, Alvin H. Hansen, in a lecture on "The Decline of Laissez-Faire"

be applied to the whole international economic system.<sup>1</sup> The only true international rationalisation is in the promotion and organisation of a balanced international economy and of an international equilibrium of productive power and consumption based on high and rising standards of living. The present economic malaise has a permanent character. It indicates the complete breakdown of laissez-faire, the necessity of national and international planning and the full application of the scientific method to the solution of economic problems.

For the conception of unorganised labour which is translated by the law of supply and demand, and leads to the "struggle for life", socialism substitutes a scientific organisation of production and exchange whose elevated moral and social aims are unassailable from the point of view of justice and human fraternity.<sup>2</sup>

The anarchy of international economic life must surrender to the conscious international regulation of economic processes, to an international plan, based on science and expressing "society's rational control over its economy and manifesting social consciousness".<sup>3</sup> The world needs a new international economic scheme to rescue it from the folly of "political economics", based on "realistic economics". It wants ordered production, not according to egoistic individual capitalist or national desires, but according to the ascertained needs of the consumers, upon which basis, moreover, distribution should occur.

The cynic will say that in our world of to-day this aim is too idealistic. The reply to that is, that if the world will not adopt this scheme of economic organisation its peoples will perish—for economic fluctuations are now so violent that our civilisation cannot survive many more periods of grave crisis, let alone another war

<sup>1</sup> Cf H. S. Person (Managing Director of the Taylor Society in New York City) address to the World Social and Economic Planning Congress, on "Principles and Practice of Scientific Management".

<sup>2</sup> *L'Économie Rationnelle*, Roger Francq, p. 37

<sup>3</sup> *Social Economic Planning in the U.S.S.R. the Premises, Nature and Forms of Social Economic Planning*, by V. V. Obolensky-Ossinski. Paper presented to the World Social Economic Congress, 1931, op. cit.

which they tend to produce. In the modern world there are really only two conflicting theses, "laissez-faire" (liberalism) and "faire"; and if States will not adopt the latter without violent surgical operations, relentless economic pressure will force Fascism, Communism, or some similar political force, to undertake the task of imposing it upon them. Private interests and economic nationalism die hard; but economic necessity is forcing the nations to implement this great instrument of salvation if they will live. This is the path of economic evolution as clearly indicated by the resolute march of events.

The foregoing passages have shown, in this history of the economic work of the League, the groping after this new régime and the pusillanimity and economic orthodoxy, reinforcing certain vested interests, which have prevented effective action. While the futility of the 1927 World Economic Conference and the 1933 Monetary and Economic Conference, of the Tariff Truce Conference,<sup>1</sup> and of the Economic Committee and Assembly pious debates on free trade was being disclosed, scientific, business, labour and economic experts, outside the League Economic Organisation, pointed the way to action. Coal, agricultural, timber, sugar and hops experts stressed the urgent need for international control of production. What could be more futile than the comment of the Economic Committee, in its 1929 (January) report, when, in face of a plea by sugar experts consulted, that the sugar situation was essentially due to lack of equilibrium between production and consumption, it said:

It is questionable whether it would be consistent with the rôle of the League of Nations to take any action with the object of checking the natural development of production, i.e. of preventing expansion resulting from the free play of economic forces<sup>2</sup>!

Admitted, then, that international control and direction of industry are necessary, what steps should be

<sup>1</sup> It is a pity that in its Peace Plan, containing so many useful suggestions, the French Government should have revived this.

taken to achieve them with the least possible delay and with the maximum efficiency? First—and this would be the best outcome of the Italo-Abyssinian crisis, which has a main root in Italy's economic necessity, when the Governments reassemble the Monetary and Economic Conference, or hold the projected new World Conference, let them face up to the whole problem of anarchic capitalist production and exchange, and, especially, to the hot problem of raw materials.<sup>1</sup> This Conference should commit the Governments: to the instituting of machinery for a definitive distribution of raw materials upon an equitable basis; control of the main productive activities and their volume; a rationing of markets, according to need; control of all forms of international transport; and direction of the main flow of investment; all based upon a statistical estimate of all the resources, wealth, population and needs of the various nations. The aim must be to relate production to demand, eliminating the surplus which has been at the root of the economic crisis and, in normal times, of economic imperialism, through the struggle to invest it. Let the Governments revert to the idea at the back of the minds of the Preparatory Commission of Experts for the Monetary and Economic Conference: the necessity for a world organisation of production and trade<sup>2</sup>; which was urged, moreover, by the Bank for International Settlements at its meeting on 5th June, 1933.<sup>3</sup>

### WORLD PRODUCTION

In the light of the foregoing principles and experience it is clear that, far from being utopian, world organisation of production alone can induce and ensure per-

<sup>1</sup> In doing so a new World Peace Conference is urgently required, not only because the time is over-ripe to remove some potent political causes of war, but also because the re-fashioning of State boundaries in certain cases will facilitate a more rational, international economic organisation.

<sup>2</sup> "Why could not one conceive an international organisation of the world economy, with its periodical conferences, its Bureau, or its permanent committee, including a Raw Materials Section?" (F Maurette, *L'Année Politique*, December, 1926–February, 1927.)

<sup>3</sup> *The Times*, 6 6 33

manent economic health and stability: separate national organisation means the continuation of anarchy, recurring crises, inefficiency and, therefore, relatively low standards of living and high prices. There must be a central organisation to consider and to decide where it is in the interest of the world as a whole that production of various commodities and their transformation into manufactured products should take place; bearing in mind the estimated needs of the world's population, on the basis of a planned, rising standard of living, and the desirability of producing the highest quality, at the cheapest rate, taking into account transportation costs. With this aim in view it will be necessary to increase the output, in certain countries, of certain commodities,<sup>1</sup> and, possibly, to reduce or even to eliminate production in certain countries. In estimating cost of production, of course, low costs will not be regarded as low wage costs, at present standards, but as low *relative* costs, having regard to such factors as national wealth, the fertility of the soil, climatic conditions, technical conditions, transport costs, and the aptitude for production of given populations. It will be most essential that the central body is equipped with an expert staff to provide it with a thorough knowledge of production costs. When international production is organised on the true basis of international collective economy, the international organisation will fix prices, on which exchange of goods will occur, bearing in mind the payment of proper wages and salaries, collective transportation, the covering of capital costs and of the cost of maintenance and repairs of plant and machinery. Eventually the main forms of capital will be owned collectively; and so these capital charges will not be at all similar to those when a return on private capital has to be envisaged. There will be international control of the accumulation and

<sup>1</sup> Cf. Professor Wagemann, *op. cit.* He advocates the division of the world into four groups (a) countries in which capitalist production is highly developed; (b) semi-capitalist countries; (c) new capitalist countries, in which capitalist production is gradually developing; and (d) non-capitalist countries. See also Wibaut, *op. cit.*, pp. 122-33

investment of these main forms of capital; and no profit, as we now know it, will go to the private owner of these main forms of capital. What is now called interest on such capital will go to the collectivity. Collective production will be fed solely by collective capital. Credit will be collective credit, collectively allocated. The remuneration of labour and the provision of the best conditions of labour will be a supreme task of the central organ of administration of the international collective economy. The existing problem of industrial competition on the basis of unequal labour conditions, which the International Labour Organisation was created to tackle, will have disappeared. The task of the International Organisation will be to generalise the best labour conditions. Again, the recurring crises, inseparable from capitalist economic anarchy, resulting, in part, from isolated private or national application of technical advance and invention to industry, without co-ordination with other factors in production, will pass away; for international decisions will control the application of science to industry.

With regard to the actual machinery, various suggestions have been put forward. A writer in *Politique*,<sup>1</sup> in an article on "International Ententes and Economic Crises", demanded as highly desirable the creation of an organ, not of study, but of action, to examine the difficulties in general questions of production. This International Bureau of Production would be directed by business men with broad views, recruited in the main countries, such as have been assembled by various League Conferences since the war. Just as within the International Bank regular contacts between big financiers make for closer co-operation between central banks, so production would gain by such contacts between business men. Their proposals after study would be public and would guide industry in the different countries; and around the Bureau would be grouped Producers' Agreements and permanent closer contacts between cartels.

<sup>1</sup> No. 6, 15 6 30.

This organisation would be within the League and there would be provision for arbitration. It would co-operate with the I.L.O. in labour questions. Such a Bureau, however, must have adequate authority; there must be real public direction and control. The National Association of Cuban Manufacturers, in its observations to the I.L.O. on the latter's report on its Tripartite Preparatory Conference on the reduction of hours of work, urged

an international inquiry into the agricultural and industrial products which each nation can produce economically, and the working out of a "chart of world production" for this purpose; and the creation of an International World Production Office for regulating production in all countries.

Again, the U.S. Secretary of Commerce, Mr. Daniel Roper, suggested to a U.S. Senate Committee, the creation of an international Board to divide the world export markets among the producing and manufacturing nations.<sup>1</sup> Some such body is needed. What production could such an organ cover? Obviously it would not cover the whole economic life of the world—at any rate not at the outset! The best method would be that applied in the approach to the development of national collective economy: to begin where economic necessity and capitalist concentration are greatest. That would include control of the production of and trade in all important raw materials and manufactured commodities; key and new industries and services. Side by side with it, moreover, other international organs should control: transport and communications, water-power and electricity; industrial combinations; the main currents of international trade; and, above all, banking and finance. An international authority, also, should promote, at the same time, the study of the world's machinery of distribution. The rationalisation of world economic activity will necessitate the extension of international collective ownership; but, at first, the main task will be to provide

<sup>1</sup> *Daily Herald*, 31.1.35.

for firm arrangements between Governments and producers.

### RAW MATERIALS

As has been seen, steps already have been taken by producers to effect some control of a number of raw materials, foodstuffs and minerals. International conferences of producers have endeavoured to bring about international regulation of output and/or exports and prices of such raw materials, foodstuffs and minerals. These controls should be brought under public, League control; through some such organ as has been envisaged. The control should be extended to all other important raw materials, foodstuffs and minerals, beginning with coal. The guiding principle of such international public control must be, not restriction of production on the basis of a capitalist market, nor the mere bolstering up of prices; but the satisfaction of the ascertained needs of the peoples. Control must extend back to acreage under cultivation and plantings; and exports, naturally, must be regulated. Moreover, the controlling body should say where production of given materials should take place. The central international body might purchase all these materials and distribute them among individual States; or it might merely be the directing authority. This control also should extend to key gases like helium.

### INTERNATIONAL CONTROL OF INTERNATIONAL INDUSTRIAL COMBINATIONS

Although international Government action has not been taken to bring this organised economic régime nearer, many employers have realised that only an international solution can bring ease to stricken basic industries. An understanding of the process that is going on in the world of private industry and trade will make clearer the necessity for greater international action. Private capitalists have found that competition and fluctuating production, markets and prices have harmed



them. In recent years, therefore, there has been an increasing development of a process that started before the war, both within States and between individual groups of different States. Consolidations, cartels and trusts have taken great steps forward. Business men have started to abandon more completely as obsolete, the idea that unrestricted competition ensures the best interests of producers; while certainly consumers are coming to see that, whatever dangers unregulated trusts and monopolies may present, competition does not give them the best terms. Reduced costs, as the basis of lower prices and stability, ensuring the worker smoother employment and thus augmenting his purchasing power, and as a source of economy to the employer, especially through the enabling of a wiser use of capital, and surer and accessible markets, these are some of the fruits of large-scale, co-ordinated organisation. In all the leading countries to-day industrial difficulties are being faced by a resort to centralisation of production and control; and the same principles are being applied to international industrial relationships. They offer some way of escape from the economic nationalism that has driven nations into hostility and hampered industrial progress. They give the measure of organisation and control which the facts of modern industry demand. It is significant that organised labour, at least through the most responsible spokesmen, especially on the industrial side, has rallied to the support of the growth of such international combinations.

In the Industrial Committee of the 1927 World Economic Conference, Mr. Pugh, defining his own attitude and that of the British trade union movement, said he recognised the vital need of increased production and accepted the principle of the international cartel as an inevitable instrument of increased production, though urging the establishment of better machinery for collecting and disseminating information among the workers about actions of cartels and economic conditions in general. M. Mertens, the Belgian trade union leader,

spoke in the same strain. In 1927, M. Jouhaux, the French trade union leader, in the *International Trade Union Review*, said: "It is not sufficient to denounce and condemn this continual trustification in the world. It is a fact, and probably an inevitable fact. . . ."

The Mond-Tillett negotiations in Great Britain called forth, especially from Mr. Tillett, at the Belfast (1929) Trade Union Congress, in his Chairman's address, strong advocacy of this tendency towards rationalisation and large-scale organisation of industry. In its 1929 important economic programme issued to the trade union movement, the International Federation of Trade Unions urged support of this tendency.

It is perfectly clear, of course, that the growth of these huge industrial and financial monopolies is not without a menace to the rest of the world—and to its peaceful evolution. Monopolies may give workers more stable conditions and consumers cheaper prices, or they may exploit their position to exact monopoly prices and to exercise too great a control over one or more countries' economic life. Before them, unorganised workers and consumers are powerless.

Similarly all other forms of rationalisation help the movement towards international collective control. Herr Mendelssohn, President of the German National Committee of the International Chamber of Commerce, a few years ago, remarked in a luncheon speech in London that "the progress made in international railway unification on the Continent in recent years could only be welcomed. It was an example of how nationalisation could be and should be internationally conducted". International cartels, trusts, combinations and agreements to regulate the production and export of raw materials are steps towards the new economic régime: representing technical, financial and commercial concentration of producers, greater knowledge of the market and organisation of their industries.<sup>1</sup> Further, the

<sup>1</sup> Cf. *L'Information financière*, 19 2 32 "Vers un plan d'organisation économique de la production II Les bases d'une organisation nouvelle", by A. Houot.

biggest producing units, based on the utmost mechanisation of production, yield the maximum possibility of cheap production and of economic progress. Moreover, they point to the necessity for extending social control.

The question of the control of raw materials is linked with that of industrial agreements. As these Agreements relate to the production of as well as the trade in commodities, the function of control must be exercised within the central body, controlling world production. In time, control through such Agreements will be superseded by the mechanism of direct control developed by this body; but, as a first stage, it would be well to consider how a control of these Agreements can be fitted into its activities. Means must be found to ensure that international cartels and other international industrial Agreements harmonise the interests of the branches of industry which they represent with those of the community. What is the best way of achieving such control of these combinations? Various proposals have been made to solve this problem. First, international control must be based on national control. There should be a control of national cartels and other industrial Agreements by a special public office or department which also would assist the international organ of control of international cartels and other international industrial agreements.<sup>1</sup>

The report of the experts appointed by the Economic Committee to study industrial Agreements<sup>2</sup> accepted in principle the idea of a State control of international cartels; and they thought it would be possible to make these systems of public control uniform.<sup>3</sup> Unfortunately

<sup>1</sup> The International Federation of Trade Unions' 1929 economic programme suggested that the national official authority to be created, as the means of a continuous investigation and regulation of the activities of monopolistic undertakings, containing Trade Union representatives, should co-operate in any international regulation of monopolies

<sup>2</sup> Publications of the League of Nations, Doc. E 529 (1) *Review of the Legal Aspects of Industrial Agreements*, prepared for the Economic Committee

<sup>3</sup> See also *The Problem of Trust, and Monopoly Control*, by A. P. L. Gordon (London, 1928), p. 156.

the economists who reviewed the economic aspects of international industrial Agreements for the Economic Committee<sup>1</sup> thought "the time was not ripe for taking such far-reaching and weighty decisions".

It has often been proposed that the League should study the international aspects of this question. A Memorandum submitted on behalf of the British Labour Movement to the International Economic Conference, 1927, contained these proposals among others:

The League should collect full information and publish regular reports on the more significant activities and results of international trusts, monopolies, cartels, rings and kindred organisations, and should continuously survey the position with a view to safeguarding the interests of consumers and producers throughout the countries of the world. The League should examine questions of policy, with a view to formulating and urging the ratification of International Conventions and Recommendations analogous to those of the International Labour Organisation. The questions covered should include, for example, the regulation of trusts, cartels, rings, etc., whether confined to one country, or extending to several, or concerning overseas transport, large-scale marketing; the stabilisation of prices; and matters referred to elsewhere in this memorandum.

Following the recommendations of the 1927 World Economic Conference and of the Economic Consultative Committee, the Economic Committee and the Economic Section of the League Secretariat have been studying—all too slowly—various aspects of the problem of international industrial undertakings, especially their juridical forms, legislation controlling them and publicity concerning them. Little, however, has been done beyond the publication of one or two reports after consultation with experts.

For years organised labour, while supporting the development of international combinations has urged

<sup>1</sup> League of Nations Economic and Financial Section: *Review of Economic Aspects of Several International Industrial Agreements*, prepared for the Economic Committee, Geneva, 1930.

the adoption of means for their social control.<sup>1</sup> The League of Nations Union has demanded international control through the League.<sup>2</sup> The London 1930 Con-

<sup>1</sup> Trade Unions have made demands like this, for example. In the *International Federation of Trade Unions Review*, M. Jouhaux, in 1927, urged that the national and international economic councils should play an important part in controlling these combinations. The 1927 Paris Congress of the I.F.T.U. urged that cartels, national and international, should come under trade union supervision and control; that cartel offices should be created and that there should be a public register of cartels and judicial courts for their control, on which trade union representatives should have equal seats with other groups. The Central Committee of the Metal Workers' International, in 1927, urged the appointment of international public organs of control, comprising professional mixed commissions. In its 1929 economic programme the I.F.T.U. said.—"The Federation demands that it shall be the duty of the Economic Organisation of the League of Nations to secure effective supervision of the operations of international trusts, cartels and Agreements in the interests of the workers and consumers in all countries. As a first step to this end there should be the fullest publicity for the financial and other details of such organisations, including profits and prices. It should be the task of the Economic Organisation of the League of Nations to carry into effect and safeguard these requirements."

Here are indications of the demands of Socialist Parties. The Labour and Socialist International, at its August, 1928, Congress, in Brussels, passed a resolution demanding an International Economic Office, in which the international working class should have a decisive voice, attached to the League of Nations. This Office should exercise supervision over international cartels and trusts, and intervene whenever over-production and competition threatened ruin to the standard of life of the workers. It should further prepare international regulations with regard to the supply of raw materials and food-stuffs. It should gradually extend its functions and thus help to prepare the future international organisation of the world economic system. The Joint Committee appointed by the Labour and Socialist International and the International Federation of Trade Unions, to investigate the economic depression and unemployment, at its meeting at Zurich, on 21st and 22nd January, 1931, adopted a resolution urging the Labour Parties to take part in the fight for public control of all monopolistic combinations, and their price fixing, with the co-operation of the trade unions and co-operative societies, the international cartels should be controlled in a similar manner by an international economic body to be set up by the League. The Danish Social Democratic Party, at its Copenhagen Congress, on 8th June, 1931, adopted a resolution which, while not wishing to hinder capitalist evolution by rationalisation, trusts, cartels and monopoly activities, urged international supervision by the League, of international combinations.

The 1930 Congress of the International Co-operative Alliance urged that national cartels should come under State control and international cartels under a powerful section of the League.

<sup>2</sup> For example, the Twelfth Plenary Congress of the International Federation of League of Nations' Societies, at The Hague, in 1928, passed a resolution expressing the opinion that the League should be fully informed of the forms,

ference of the Inter-Parliamentary Union passed a resolution declaring that cartels and trusts should be controlled.<sup>1</sup>

As a first step it has been suggested that the League might institute a system of publicity. According to the plan submitted to the 1927 World Economic Conference by M. Oualid, all international cartels should be compelled to register with the League.<sup>2</sup> M. Loucheur, addressing the 1928 Assembly, said that the conclusions of the debates of the 1927 World Economic Conference seemed to show that the re-grouping of industry led to the formation of cartels or industrial ententes; and the Conference pronounced in favour of international control by a wide publicity organised by the League.<sup>3</sup> International cartels might notify their existence and supply to an International Commission full information about their activity. Such an International Commission should

nature and activities of industrial ententes, together with the operation and effect of the national system protecting public interests against the dangers of monopoly, to provide guidance as to methods of so directing the tendency towards international cartels and combinations, that it should not be prejudicial to public interest or international commercial development

<sup>1</sup> The resolution proposed obligatory registration of cartels in the books of the State and the creation in each State of a Committee on trusts and cartels independent of the Government. This Committee should be entrusted with all inquiries of a general nature, but particular cases should only be made the object of an inquiry at the request of the highest competent official authority. The conclusions of the Committee should be made public, and the competent central authority should be entitled to institute proceedings for the punishment of abuses and in certain cases to obtain that treaties should be declared void. With regard to international economic combines, cartels and trusts, the resolution considered that special control is equally necessary and proposed that registration should be made with the League of Nations or another international body, whose duty would be to examine the treaties and Agreements, to exercise a permanent supervision over all that concerned cartels and trusts, and to make, on the basis of the experience gained, proposals for the further international regulation of the question. See *The Times*, 18 7 30

<sup>2</sup> *Revue Economique Internationale*, May, 1930, p. 343. Footnote to an article by Professor Paul Pic on "Evolution de la Législation Européenne et Américaine à l'égard des Cartels, Trusts et Ententes. De la Répression au contrôle, national ou international". Cf also Sir A. Salter's proposal to develop international publicity and control along the lines of the Charter contained in the Report of the World Economic Conference on this subject, which provided for the creation of a central international body for this purpose: see *Recovery*

<sup>3</sup> See League of Nations: *The World Economic Conference, Geneva, 1927*, Final Report, pp. 40-2

be created, to supervise the application of these requirements, framed on the model of the Mandates Commission of the League, or, as a first step, on that of the I.L.O. Committee for supervising the application of Article 408. It should contain representatives of State administrations, and of various essential branches of industry, especially those where economic ententes are least strongly represented and which are the immediate consumers of products of cartellised industries, representatives of organisations representing final consumption (products of food industries and manufactures) and representatives of the workers. Its duty would be to make public information received regarding the formation of such ententes, and failure to notify their formation as laid down, and to receive reports presented and publish such facts supplied not of a confidential nature. A factual bulletin would be published. The Commission could function as a Court of Appeal on the demand of Governments or various economic organisations representing sufficiently wide interests.

M. Edgard Milhaud<sup>1</sup> gives the opinion that, at present, the solution is to be found neither on administrative nor on judicial lines, but rather through publicity and the creation of appropriate organisations to balance the bad tendencies of great capitalist concentrations.

The most efficacious and the simplest method of publicity would be compulsory registration with the Secretary-General of the League of all international agreements and of all documents relating to their functioning and results, the Secretary-General or any special organisation entrusted with the study of these being authorised to give the widest publicity to all the interesting facts.

The other method, the most direct and certainly the most efficacious, would be the creation of *ad hoc* economic machinery. In each case the international capitalist organisation should be confronted, for the purpose of communications and opportune discussions, by big organisations of the other interests concerned: manufacturers in the branch of the industry concerned, workers in this branch and consumers, manufacturers or individuals, of products of this branch.

<sup>1</sup> *L'Organisation Economique de la Paix*, Chap. 5, pp 137-46.

The presence of workers would have as the essential aim to harmonise labour conditions in accordance with the state of production, but also workers in the various countries engaged in the same branch of production would more easily secure the maintenance of corresponding labour conditions. The presence of consumers, of consuming industries or individual consumers, would enable these latter to make necessary investigations to see that the policy governing the selling price safeguarded the general interests of immediate consumers and of those more or less removed, and would give to the nationally and internationally organised industry, the help of the parallel organisation of the consuming industry or industries or even of the final consumers.

This method, in effect, would simply mean the development and generalisation of industrial ententes, and the linking up of their activities. From the production of initial raw materials to that of finished products consumed by the individual buyers, there is a continuous movement from branch to branch: each is at once client and supplier, consumer and producer. Thus can be conceived the establishment of successive relations, at each stage of the productive process, between organisations of producing branches and organisations of corresponding consuming branches, such contacts being assured by the constitution of appropriate machinery: by means of such relations there would be evolved new methods of fixing prices which would tend to be established in industrial ententes.

M. Milhaud replies to the objection that such monopolies might use their power, as often now, to exact a monopoly price. If organised producers adopted this policy, organised consumers would exercise their power preventing the expansion of the monopolies; and as each organisation would be producer and consumer, there would be an interest in adopting a policy of accommodation. He visualises instead of isolated monopolies acting in such matters, that there would be concerted action on a wider scale. Each decision would be taken in connection with others' decisions; there would be reciprocal moderation, each would come to realise that the general enrichment consequent upon the policy of collaboration and low prices would enable each branch to share in a larger surplus—and especially would this



be so as this behaviour would tend to become not an accidental and piecemeal phenomenon but the general law of the economy as a whole, to institute which law these pieces of machinery joining producers and consumers would be formed.<sup>1</sup>

Whatever the machinery adopted the aim must be to prevent the exploitation of consumers, by the raising of prices or extracting of monopolistic prices, and the directing of production into the most desirable channels in accordance with the decisions of the international body controlling world production.<sup>2</sup> Ultimately these important undertakings will be brought directly under public ownership. A start might be made by limiting their profits and making them public utility concerns.

#### WORLD TRADE

To ensure international economic stability and progress it is not sufficient to control the main currents of production and the distribution of raw materials; it is essential that world trade as a whole should function smoothly. For this to happen it is necessary that exchange problems be handled in accordance with right principles. A branch of the world economic organisation must see that international exchange is conducted on proper economic principles. The plan for international organisation of the exchange of goods on a compensation basis, submitted by M. Edgard Milhaud, is well worth attention in this connection. It contains the seeds of the new forms of economic practice in regard to international exchange of the future, inasmuch

<sup>1</sup> The French National Petrol and Liquid Fuel Office, envisaged by a 1925 Bill, included in its management, as well as representatives of various interested Ministries (Public Works, War, Admiralty, Commerce and Industry), representatives of the petrol and liquid fuel industry at all stages of production (production, transport, refining, utilisation) and representatives of consumers and technicians; and projects were made in 1924 for other national offices, e.g. for wood and cellulose, leather and skins, and wool, by Mr Raynaldy, Minister of Commerce and Industry.

<sup>2</sup> At the meeting of the Committee of Experts appointed by the Commission of Inquiry for European Union on 24th June, 1931, a French member said that this generally happened with international cartels

as it emphasises that the distribution of goods and services and not the passage of money is the vital thing in economic life.

A former chairman of the U.S. Trade Commission<sup>1</sup> wants to see a World Trade Tribunal created, in connection with the League, to tackle certain trade problems. The fundamental problem, however, is not to create a tribunal to settle trade disputes but to form a body to organise and control the main currents of international trade so that disputes between private contestants do not arise.<sup>2</sup> International trade must be *organised*, and not left at the mercy of national commercial policies, free trade or protectionist. The underlying theory of the international collective economy will be that international exchange is vital to maximum economic efficiency and high standards of living. The latest manifestation of capitalism is in the new commercial policy adopted by nations: autarchy, or national self-sufficiency, denying the fundamental utility and necessity of the international exchange of goods and services. International organisation of production, on the basis of the international division of labour implies, as its corollary, international exchange, regulated by the central body in accordance with estimated needs and costs. Ultimately, if economy anarchy is to be destroyed, this exchange must cease to occur in what is now called a free market. The theory of the capitalist market price, which dies hard among economists, will then have died. Market price, under capitalism, has no relation to the true economic price, which is based on actual economic services, conceived as collective functions, without reference to the need, under private capitalism, of assigning part of the product of industry to be utilised as private

<sup>1</sup> Dr. Huston Thompson. See *New York Evening Post*, 10.6.31.

<sup>2</sup> In its Peace Plan the French Government suggests the creation of "an international tribunal of exchanges to avoid the denunciations of commercial agreements and breaks in international relations between peoples, so prejudicial to the regularisation and development of exchanges". It is to be hoped, however, that it will emphasise rather, its plea, in the same Plan, for "the rational organisation of exchanges as the basis of economic co-operation".

profit in a competitive market. Then the fixing of prices will involve some say by the community in the allocation of the product of industry between wages and profits, and as to the absorption of the surplus product. Prices will be fixed and, therefore, basically stable—they may change, but they will lose, for ever, the characteristic instability of the capitalistic economy. Exchange will occur on the basis of such prices, of which the chief element will be the remuneration of labour. The manipulations and instability of the capitalist exchange system—with varying exchange rates (and quotations of stocks and shares) will no longer exist. The international collective organisation will regularise and stabilise international exchange on true economic principles.

The significance of M. Milhaud's proposals is that they are based upon the recognition that the above economic principles are the only healthy ones. Trade based upon competitive national economies must lead to unstable exchange and unstable exchanges. The resort to barter, compensation and clearing arrangements shows the inefficiency of competitive capitalism.

#### INVESTMENT, CREDIT, CURRENCY AND BANKING <sup>1</sup>

A supreme task of the central world economic organisation will be the control of the investment of capital, the rationing of credits and the control of banking. Capital and credit are the life-blood of modern industry. One of the gravest troubles in individual States is the lack of public, central control over the investment of capital, which, as in early British railway history, is often invested, with the profit motive dominant, regardless of the general interest of the community, involving waste, duplication of plant and lack of co-ordination with the

<sup>1</sup> See, *inter alia*. Edgard Milhaud, works already cited, Sir Basil Blackett, *Planned Money*, London, 1932; H. G. Wells, *After Democracy. Addresses and Papers on the Present World Situation*, London, 1932; Sir A. Salter, *Recovery*; Resolutions of the Joint Committee of the L S I and I F T U appointed to investigate the economic depression and unemployment, meeting, at Zurich, 21st–22nd June, 1932; J. A. Hobson, *From Capitalism to Socialism*, London, 1932, and J. M. Keynes, *A Treatise on Money*, 2 vols., London, 1930.

other needs in different industries for equipment and development. Further, nationally the control of the issue of credit in private industry leads to an unco-ordinated economy, and to development of industries and undertakings not necessarily those of which society as a whole stands in greatest need. Again, the fluctuations resulting from the private central control of the banking system, without reference to broad, industrial and national interests, are too well known—and their reactions on industry, as in the case of Britain's coal industry, when Britain returned to the gold standard in 1925—to need emphasis.

Similar problems exist in the international field. The same factors continue to operate as between nations while private investment of capital, or even public investment, occurs on a national basis. Private, and/or unco-ordinated investment of capital in various States leads to over-production or under-production, to the production of luxuries instead of necessities, to a wasteful utilisation of the world's resources viewed, as they ought to be, as a whole; for industries in individual States are not built up in relation to what exists or is potentially possible or desirable in another State on the basis of the pursuit and exploitation of a differential advantage in the general interest. Countries with special facilities of resources, skill or transport should be encouraged to develop these, whereas now costs of goods are unnecessarily high because these facts are not considered, and capacities remain unused, or not used to the utmost, for lack of capital. The future interests of humanity demand international control of the investment of capital. "Demands for the control of the capital market by Government action are bound to arise."<sup>1</sup> The control of credit also if left in private hands and exercised within separate States leads to similar consequences. Just as the maximum world productivity flows from international

<sup>1</sup> Joint Memorandum by Professors Bonn and Siegfried *Economic Tendencies and the Peace of the World*, prepared for the Economic Committee of the League of Nations, 1930.

control of the world's productive resources and of the investment of capital therein, and their direction according to national capacities and needs, so the international control of credit will exercise an equally beneficent influence. Only a central International Authority can determine, in the world's general interest, where credit should be allocated.

There is, however, a more fundamental problem. For some time there has been emerging a school of thought which sees in the retention, within the State and between States, of the gold standard (especially of a rigid gold standard) a menace to economic progress. Regulation of credit and banking policy according to the position of the gold reserve in the central bank means the inflicting of great damage on industry. There have been doubts expressed as to the sufficiency of the new gold supplies in the future for world needs on the gold standard basis. The new school of thought, which has been encouraged by the Rt. Hon. Reginald McKenna<sup>1</sup> (Great Britain), suggests as a credit policy that trade requirements should be met without regard to gold movements, the discount rate being fixed in relation to general economic conditions, e.g. the volume of production, the conditions of employment, home and foreign price movements, the growth of population and potential productive capacity. Opinion in Great Britain, resulting partly from a perception of the result of a precipitate return to the gold standard ten years ago upon British exports, whose prices rose by 10 per cent (coal especially suffering), has especially been developing on this matter.

If gold is to be retained—and most nations, for good or ill, cling to the idea of its necessity at any rate for exchange operations—it has been suggested that the world's resources should be pooled. In December, 1927, Professor Edie, of Chicago University, addressing

<sup>1</sup> See, for example, *Post-War Banking Policy*, A Series of Addresses, London, 1928, especially "Currency, Credit and Trade" (pp 74-87) and "American Prosperity and British Depression The Need for a Monetary Inquiry" (pp. 118-136).

the American Economic Association, advocated some such scheme for creating a "gold League of Nations". At any rate as a first step Central Banks could agree to co-operate to the extent of moving gold by agreement, instead of by present "normal" operations, to the rescue of any national Central Bank which felt menaced by a shortage.

Another group of thinkers suggests the complete renunciation of the gold standard. Although, in fact, in most countries to-day gold is not in common use, and during the Great War the fiction even of the gold standard was discarded, in theory exchangeability of bank-notes for gold is postulated; and the Central Banks' action in purchase or sale of gold exercises a predominant influence on the financial and credit systems, while gold reserves vitally affect the nations' exchange and trade positions. The basic economic truth is, nevertheless, that everything depends on trust; and a country's credit, i.e. its reputation as a going concern based on its resources, in natural resources, accumulated real capital, technical skill, productive capacity, etc., is the real test of its exchange position—such psychological factors indeed are reflected at once in normal exchange movements. Much effort expended in producing and in storing gold is wasted; and the values there lying idle could be utilised for productive purposes. World production and trade have been throttled by the worship of gold. Whatever else may be the outcome of the recent Alberta elections they reveal, at any rate, that the suffering peoples are ready for revolutionary economic changes. They await deliverance through an enlightened national and international financial and monetary policy, ministering to human needs. They do not exclude very unorthodox financial measures, as experiments.<sup>1</sup> This crisis has shown that gold and cash or currency are not essential to international trade, which is an exchange of

<sup>1</sup> Cf. also the results of the recent New Zealand elections and the success of the Townsend Plan in the U.S (on which see, *inter alia*, an article by Oswald Garrison Villard, in *Time and Tide*, 18 i 36).

commodities or services. A great task of a world economic organisation will be to prevent world production and trade from being chained to the demon of gold: to allot credit in relation to ascertained consumers' needs and to productive capacity, instead of in accordance with gold movements and gold reserves in Central Banks, and to evolve an elastic instead of a rigid medium of exchange.

Another cognate problem to be tackled thoroughly is that of the different coinage in various countries. Take Europe, for example. Could anything be more absurd than the numerous moneys in use in separate States? A beginning might be made by rationalising Europe's monetary usages. This leads back to a consideration of the central question of the place of gold in the monetary system. Since the war Europe has known terrible periods of fluctuation and chaos in her currencies. Economists and politicians have urged stabilisation measures on the basis of the gold standard. As steps in the direction of a rationalisation of the world's financial affairs, the Central Banks of the big Powers have co-operated in certain activities on the basis of the resolutions of the Powers at the Brussels and Genoa Conferences. Action has been taken by several Powers under League auspices to bring financial restoration to Austria and Hungary by stabilisation on a gold basis. Further co-operation between the Central Banks has been suggested, especially arising out of the creation of the B.I.S. As the 1933 Conference revealed, however, effective international agreement has been impossible.

The problem remains as acute as ever. An international monetary standard is required. The best solution would be a uniform international currency; which would be as practicable as the rationalisation and unification of the internal systems of Germany, Italy and Switzerland in years gone by. A start should be made with Europe.

To enable international collaboration on all monetary and financial questions it is necessary for national banking

systems to be brought into the closest possible contact, through their Central Banks, not merely in providing financial assistance in exceptional emergencies,<sup>1</sup> but also in continuous daily practice.<sup>2</sup> Through such collaboration they must evolve a satisfactory body of common monetary doctrine and an agreement upon what is a satisfactory international standard and how it should be maintained, provide for the collection and distribution of all necessary monetary data, and play a prominent part in achieving and maintaining equilibrium in general economic activity.

Greater co-operation between the Central Banks (which are coming more and more to be linked closely with Government policy) is urgently needed along these lines, and it might well begin in Europe. In principle the United States offers a parallel. Before the Great War there were about 30,000 banks in the United States, mostly "unit" banks, and banking methods were chaotic, causing numerous difficulties and weaknesses. A common credit policy was lacking. National needs did not govern the regulation of the rate of discount, which was liable to wild fluctuations, varying in different places and often hampering trade by being too high. When a crisis came it was not possible to mobilise the isolated reserves for effective co-operation. Therefore, to overcome these drawbacks the 1913 Federal Reserve Act was passed, setting up Central Banks which centralised reserves. The United States was arranged in twelve districts with regard for an era's economic unity and none for State boundaries, each having a Central Bank with federation into the Federal Reserve Board. Such Central Banks were "bankers' banks", owned by

<sup>1</sup> As in the extensive credits granted by banks of issue to other Central Banks on the occasion of the post-war resumption of the gold standard, including the stabilisation credits provided in connection with the League Financial Committee's reconstruction work, the big advances, when the 1931 international credit breakdown occurred, to the Austrian and Hungarian Central Banks, the Reichsbank and later, *inter alia*, the Bank of England.

<sup>2</sup> The Bank of England printed privately a pamphlet, *Some Observations on Co-operation*, by R N Kershaw, which, according to the Fifth Annual Report of the B.I.S., is a most suggestive contribution to this subject.



the banks in their area, each having a one-third representation of the Federal Reserve Board on its directorate; the Federal Board co-ordinating and controlling the twelve banks and being, itself, largely influenced by the United States Treasury, the Secretary of the Treasury being Chairman, and the Comptroller of the Currency a member of the Board, the President also nominating its other members. The Board chiefly approved discount rates fixed by the Federal Reserve Banks, regulated re-discounts, and controlled their clearing machinery. The United States Government turned aside from the idea of creating only one Central Bank for the United States as a single economic unit. One visualises the creation in Europe of a Central Board or Bank of the U.S. type, which could control the whole continent's affairs, based on an international instead of a national outlook.<sup>1</sup> It is clear that such an institution might do much to link the nations' financial interests together in the interests of peace and to rescue control of commercial affairs from the hands of private national financiers.<sup>2</sup> It could lead from a continental to a truly international outlook. It must, however, be under public inter-Government control.

The centre of all international action in financial and banking matters naturally must be the Bank for International Settlements. Created to handle the sordid legacy of the Great War, Reparations, it yet is the harbinger of a new era. It opens a new chapter in international financial co-operation.

This bank, of which the League dare not dream, at present, of having a close control, is none the less the logical outcome of all

<sup>1</sup> Mr. Philip Snowden, in an article in the *Evening Standard* (30th June, 1927), urged such a course, by slow steps. The French Peace Plan suggests the organisation of money and credit on a European basis.

<sup>2</sup> The Fifth Annual Report of the BIS (Basle, 13th May, 1935) refers to the increasingly close regional co-operation between Central Banks; special meetings of those of gold bloc countries, regular quarterly Sessions of Governors of those in Scandinavia; arrangements for consultative gatherings of those of the Little Entente, of which the first was held towards the end of 1934; the reunions (at present annual) of those of South America.

its economic and financial effort. It can constitute, if allowed, the most powerful organ of international co-ordination that has been created since the creation of the League itself. One cannot, in regarding attentively the evolution of the world, fail to be amazed. While men, held down by old ideas, make nationalism, economic necessities create under their very eyes, and without our participation, an entirely new world.<sup>1</sup>

Pending international agreement upon a new international standard it should arrange for the world's gold areas to be acquired as a step towards a world currency expressing a world unity. If gold remains the basis of the world's financial life it could issue its own notes based on gold, which might become the national currency standard.<sup>2</sup> It should centralise the world's gold reserves and regulate the flow of gold, saving unnecessary gold movements. The real aim, however, should be to get rid of the dictatorship of gold; and with a proper management of world monetary policy this could easily occur. In any case it is doubtful if the gold basis is elastic enough for an expanding production. Gold must not be the arbiter of the world's destiny. There is nothing sacrosanct about it—as is clear from the increasing resort to the principle of management and organisation. The B.I.S. must have the power of ensuring the stability of national currencies, and regulating the issue and the flow of world credit, and the direction of the main channels of world investment, which must be related to a general world economic planning policy and scheme. An elastic credit and monetary policy would permit an expanding production to serve a rising standard of living. In short, it must be made to discharge the function of a collective Central Bank. It could participate in owning and controlling industry—as do national banks, especially in Germany. It could guide and aid international rationalisation, as the Bank of England, for example,

<sup>1</sup> *Journal de Genève*, 27.3.29.

<sup>2</sup> At any rate as a beginning these notes could be used as reserves in national Central Banks; and these latter could increase their reserves by loans from the B.I.S.

has aided rationalisation in Great Britain. It could prepare for a more rapid advance towards a world collective economy. It could internationalise finance; but purely capitalist influences must be removed and public control ensured.

The medium of such public financial and banking intervention must be the League. The clauses governing the institution of the Bank provide for the assumption of a number of very important functions, notably for its growing control over world finance and monetary operations, which must demand an increasing measure of Government intervention; and in each country financial questions and problems of capital development are becoming increasingly a State affair.<sup>1</sup> This points the way to ultimate League intervention. Although at the 1929 Assembly several small States were defeated in their attempt to get the League to take immediate steps to get into closer contact with the Bank, it was clear in the discussions of the Second Committee that, as M. Loucheur said, although the moment was then considered inopportune for such League action, it could not be delayed very long—and incidentally the choice of Basle as its headquarters pointed clearly to a desire to anticipate the eventuality of its closer contact with the League.

In the light of the theory of the collective economy the ultimate task of the B.I.S., when clothed with the full collective authority and function, in the system of collective economic administration, will be to administer and control the bookkeeping of collective international production and exchange. In that régime money will have a new and a more restricted function. The ultimate economic functions of production and exchange will be stripped of the anarchic elements arising out of the undisciplined search for private profits and aggrandised national interests. There will be no complications arising out of the struggle for the maximising of these profits: no speculation and currency manipulation.

<sup>1</sup> Cf. *A Treatise on Money*, in which J. M. Keynes emphasises the need for conscious collective control in the sphere of money and capital

Further, the accumulation of capital for these main forms of international economic activity will be controlled according to the community's needs: capital for these industrial and economic requirements will be accumulated collectively and provided for in this book-keeping system. Before this new collective economic order can provide us with these blessings, we must expel all the old conventional attitudes to money.

The view has been expressed that, pending a world agreement on the use of the B.I.S. for world purposes in the above sense, Great Britain might lead a group of nations, not confined to the British Empire, in an attempt to apply an enlightened monetary policy as a first step towards the achievement of a universal stable measure of value and of an international monetary system.<sup>1</sup> There is something to be said for this view if European economic and banking unity cannot be achieved, and provided, in any case, there is no kind of hostility to any other group, or any idea of other group developments, and, moreover, that no parallel effort be spared to reach a larger world unity.

#### TRANSPORT AND COMMUNICATIONS, WATER-POWER AND ELECTRICITY

The Communications and Transit Organisation provides the nucleus of international control of transport. Its authority should be strengthened and its work related to the central economic organisation controlling the main currents of the world's economic life. It must ensure the co-ordination and regulation of the main arteries of international postal (including telegraphic and telephonic), railway, water (including sea, river, canal and port), air (including radio), and road transport communications. International bodies already mentioned, covering the postal, telegraphic, railway, shipping, air and radio services would be connected organically

<sup>1</sup> Cf Sir Basil Blackett: *Planned Money*; Sir Arthur Salter: *The Times*, 30 6 32, in an article supported by a letter, whose signatories included J. A. Hobson, to *The Times*, 2 7 32

with this central, comprehensive international organisation. Above all, civil air services must be within its sphere of control. Such incipient "internationalisation" in the sphere of transport and communications not only will lay a firm foundation for peace, but also will maximise economies in these services, thus providing cheaper charges and better facilities.

Some international body should be responsible for the control of the use of water-power and electricity. The utilisation of water-power and electricity now comes within the province of the Communications and Transit Organisation. The World Power Conference and its work should be brought into organic relationship with it. It should organise and control electricity development, promoting such schemes as the European electricity scheme already submitted by Belgium and arranging for large-scale international production and interchange of electricity.

#### DISTRIBUTION

The world's general distributive machinery needs to be rationalised and directed in any scheme of world economic organisation: at present it is in a chaotic state. A startling statement was made by the President of the Monetary and Economic Conference. He said that when there was a less efficient equipment for making wealth, the nations' national incomes were greater; which means that the marketing of wealth produced more abundantly and more efficiently is out of date. An international body under public direction should direct a study of the machinery of distribution and seek to improve it. Already, as a result of a decision by the Washington Conference of the International Chamber of Commerce, in 1931, an International Distribution Commission has been set up, with numerous National Distribution Committees: to foster a more intensive study of consumption and distributive processes; to encourage the organisation in different countries of machinery designed to co-ordinate work bearing on

distribution methods and costs; and to direct the attention of the business world to the fundamental importance of employing scientifically-planned methods of selling and service, operated by adequately educated and trained personnel, to the end of securing maximum sales at minimum cost, and so increasing purchasing power throughout the world.

#### WORLD ECONOMIC COUNCIL

This machinery for tackling sections of the world's economic and industrial life, however, needs to be completed by a controlling and directing piece of machinery, working on a comprehensive scale, linking up and crowning the previously mentioned, and, in time, other forms of national and international organisation and planning. The world is moving towards economic internationalism and international economic government. Obstructive national economic sovereignty is obsolete. The world needs supremely a representative, super-national federal authority to control economic affairs. The need for this has been stressed in initiatives previously taken by the International Labour Organisation; and the experience of Inter-allied controls during the Great War and early post-war years was recalled in the Report of the Director of the I.L.O. to the 1932 Session of the International Labour Conference.<sup>1</sup> The creation of such a body has been urged both by labour spokesmen and others for many years. At the 1927 World Economic Conference M. Jouhaux sought in vain to get support for such a body.<sup>2</sup>

<sup>1</sup> Pp 53-4

<sup>2</sup> In the Second Committee of the 1931 Assembly the Italian Minister of Corporations, emphasising the structural and organic nature of the economic crisis urged that national economic systems should be built up so as to facilitate international co-operation there should be a central organisation like the French (or, as it was then, the German) National Economic Council or the Italian National Corporations System, in each country, with which Councils in other countries could deal through the League—he did not go quite so far as to suggest a World Economic Council. In *La Corporazione nel Mondo* (Milan, 1934), Mr de Michelis advocates reorganisation of the world economy by agreement among States along “corporative” lines of organisation, i.e. including labour, land, raw materials and capital, with the League, the I.L.O.

Thus international economic government should occur through a World Economic Council (which would be supported by various forms of industrial and commercial organisation), in which the National Economic Councils should co-operate and whose work it should co-ordinate, and which should give representation to workers' and consumers' interests. Such a Council could plan and regulate the economic system and develop a world economic policy, which would not ignore the quantitative and qualitative problems of consumption, and would maintain a just balance between increasing productive power and consumption, saving and spending, and work and leisure. It would work in close co-operation with the B.I.S.

In September, 1931, the Italian delegation submitted to the Second Committee of the Twelfth Assembly a draft resolution urging the Assembly to request the Council to seek the most appropriate means of providing for the direct representation of National Economic Councils within the League of Nations. The Assembly eventually adopted a resolution proposed by the Second Committee requesting the Council to promote such co-operation of the National Economic Councils in the work of the League of Nations.<sup>1</sup> This pointed to their

and the International Institute of Agriculture playing a leading part in introducing this system. See also *The World's Economic Crisis and the Way of Escape*, Sir J. A. Salter, Sir W. H. Beveridge and others, 1932, Sir A. Salter, in "The Burge Memorial Lecture", *Manchester Guardian*, 17 32, delivered on 30th June, 1932, at Middle Temple Hall, London, on "Political Aspects of the World Depression"; H. G. Wells, *After Democracy*, and broadcast speech, 28th September, 1931, *Daily Herald*, 29 9 31; and J. A. Hobson, *From Capitalism to Socialism, Wealth and Life*, London, 1929, and the *Manchester Guardian*, 30.6.32, "The League and the World Crisis"

The Conference, in London (concluding on 20th March, 1936), of representatives of the I.F.T.U. and L.S.I., adopted a manifesto urging, *inter alia*: "The machinery of the League of Nations should therefore be developed so as to provide for the systematic discussion of economic problems and for effective action to raise the standard of life of the workers throughout the world" (*The Times*, 21.3.36).

<sup>1</sup> See League Doc A 75.1931 II.B, p. 10, Resolution No. 7. At this Assembly the Second Committee noted a suggestion that closer co-operation of national economic councils in the League's work might be achieved by a suitable modification of the Economic Consultative Committee

closer association with an authoritative League Economic organisation and was the germ of their future consolidation, in a World Economic Council.

Such a Council should have full authority in international economic matters; which it should handle as the National Economic Councils, properly endowed with power, would handle national economic problems. It should be subject to the authority of the League Council, which should be represented on it. It should appoint a small body as an Executive. The Council itself would comprise representatives of important interests, such as Governments, experts in business, commercial, financial, scientific and technical questions, and workers' and consumers' interests. It should have advisory and executive functions, the latter including supervision of the execution of world planning decisions, in relation to the subsidiary organs controlling various branches of world economic life, e.g. the B.I.S. and the bodies controlling production, exchange, transport and communications, water-power and electricity. In particular, it would supervise: the control of international industrial combinations; the organisation controlling the production and distribution of raw materials, the choice of the places at which production of the most important raw materials and manufactured goods should occur; the accumulation of necessary world stocks of commodities to cover bad years; the regulation of international exchange and exchange values; the fixing of production and transportation costs; and the provision for the collective accumulation of capital.

It could be formed by expanding the functions of the Economic Consultative Committee or by extending the scope and slightly altering the organisation of the International Labour Organisation, which would definitely handle economic and labour questions which are so closely related; or it might even be formed by the appointment by the League Council of a body representing Governments, and workers' and employers' organisations nominated by the Governing Body of the I.L.O.,



thus giving the I.L.O. a vital connection with this new Council. In any case the I.L.O. must be intimately associated with it; for economic and labour matters are so closely intertwined, and world planning must have an increasingly social aspect. Associated with its work, in some form or other, should be, in addition to representatives of the National Economic Councils, the various existing international bodies dealing with industrial and economic questions, which have been preparing the ground for it; such as, the International Institute of Statistics, International Institute of Agriculture, International Chamber of Commerce, International Co-operative Alliance, International Federation of Trade Unions, International Association of Local Authorities, International Housing and Town-Planning Association, and the B.I.S. These non-League bodies already are associated with the economic work of the League in various ways. So also are other bodies. Thus, at the November, 1935, Session of the Advisory and Technical Committee for Communications and Transit, there were represented, the International Tourist Alliance, International Air Traffic Association, International Association of Recognised Automobile Clubs, Central Commission on Rhine Navigation, International Commission of the Danube, International Committee on Air Navigation, International Aeronautical Association, Central Office for International Railway Transport, International Union of Railways and the International Broadcasting Union. The basis of its work must be a firm foundation laid by authoritative National Economic Councils.

#### WORLD ECONOMIC AND SOCIAL PLANNING

Inspiring this organisation of world economic life, as opposed to existing capitalist anarchy, must be, as the final triumph of the basic ideas of international collective economy, order and organisation, the world plan.<sup>1</sup>

<sup>1</sup> A growing number of international bodies has demanded world planning. Cf. a resolution of the General Council of the I.F.T.U., meeting at Berne, 16th-18th March, 1932, calling for "carefully planned spheres of regulated

The World Planning Authority should lay down the main lines of world economic development, in accordance with production possibilities and consumption requirements. It would iron out economic fluctuations. It would receive and co-ordinate plans from subsidiary branches of the World Economic Council. It would work in harmony with the B.I.S. The aim would not be to reconcile conflicting interests; but to plan the world's economic life in accordance with the general interest. International economic planning must be inspired by social ideals; and here the I.L.O.'s co-operation would be vital. The goal would be higher standards of living and shorter hours, as facilities for quick and abundant production increased. Plans would cover a number of years. H. G. Wells<sup>1</sup> wants an international twenty-year plan. Dr. Lorwin, at Amsterdam,<sup>2</sup> was content to ask for a five-year plan. In any case a long-range plan is essential; with revision as necessary.

As in the case of the National Economic Councils, the World Council would have as the basis of its work a growing volume of statistical and economic knowledge about production and consumption. National and international statistical research must proceed apace, together with scientific management in all its forms. The work of national economic research technicians must be co-ordinated and encouraged. Scientific research must be harnessed to economic research. In this task the work of the Economic and Financial Organisation of the League (and, in particular, of the Sections of the League Secretariat dealing with economic and financial ques-

production, of which the ruling purpose shall be the covering of needs . . . ; planned production of raw materials, planned distribution of goods; a planned system of credit, to be secured by uniformity of the Central Banks, . . . ; a resolution adopted by the 18th Congress of the International Federation of League of Nations' Societies at Folkestone, in May, 1934, calling for international economic planning and co-operation, monetary co-operation through the B.I.S., to avoid cyclical fluctuations, which was submitted to the President of the 1934 Session of the International Labour Conference by a deputation; and an address by Dr. L. Lorwin, at the World Social and Economic Congress, Amsterdam, 1931, on "The Problem of Economic Planning"

<sup>1</sup> In the broadcast address in 1931, *op cit*

<sup>2</sup> *Op. cit.*

tions) and of the Social Economics Service of the International Labour Office can be of very great value.<sup>1</sup> They are the nucleus of such research activity.

The development of existing League machinery in the direction indicated above was discussed at the 1935 Assembly, when the Second Committee considered an important *Report of the Committee Appointed to Study the Constitution, Procedure and Practice of Committees of the League of Nations*,<sup>2</sup> which had been appointed by the Council in accordance with the decision of the 1934 Assembly. The 1935 Assembly, in accepting the Report of its Second Committee, endorsed the general tenor of the report of this special committee, while refusing to execute its major recommendations. The Report emphasised: that "the League is essentially a governmental organisation"; that its progress depends upon Governments' effective desire to use its machinery and upon the possibilities of securing an adjustment of national policies within the spheres in which co-ordinated and co-operative international action is required; and

<sup>1</sup> "In my judgment the greatest hope for constructive progress in dealing with international economic problems, lies in the activities of the Economic Section of the League of Nations. Here is a body whose very existence is predicated on the fact that there is a large and increasing number of economic issues and problems that are essentially international in character and therefore beyond the reach of the old concept of national sovereignty. Not only is the League a clearing house, as it were, in which the various national points of view with regard to economic issues are brought together and an effort made to discover underlying principles that will reconcile the differences in view, but it is much more. Its statistical and economic surveys and publications are a veritable laboratory for the development of the newer world economics. On a scale that has never before been possible, there is being made possible to students of economic theory and economic problems a body of data that is world-wide in scope and is assembled from a world point of view, much of it information that could not be procured directly by one country from another. In the work that this body is doing more than in that of any other agency, lies the hope that the existence of a highly interdependent economic world will eventually be reflected much more fully in the economic policies of nations than has thus far been the case." (*American Economic Review Supplement*, March, 1931, pp. 163-4, L. R. Edminster, in a discussion on "International Economic Relations") The work of the I.L.O. in economic research ought to have been included by the speaker

<sup>2</sup> Doc. A 16 1935, 58.35. See also the Secretary-General's Report, Doc C.287 M.125 1934.

that practical action, giving effect to work arranged through the League, is generally possible only through the executive machinery of the national Governments. It pointed out, however, the distinction between the adoption of general plans, co-ordination, direction and control, on the one hand, and executive work on the other: the former being a governmental matter and the latter a technical one. Therefore the Governments must have the effective initiative, co-ordination and control in regard to the undertaking and carrying out of tasks performed by expert or technical bodies, which have the functions of study and execution. The League's technical organisations, in accordance with principles enunciated in 1920, combine Government representation with experts chosen by the League, having expert knowledge and close connection with governmental policies. Constitutionally supreme control of technical Committees is in the hands of the Council and the Assembly; but the Committee considered it advisable that, within the framework of action approved by them, specialised bodies of Government representatives should control different spheres of work. While committees could draw the attention of the Council or the Assembly to new questions, these supreme governmental authorities must authorise the assumption of all new responsibilities, the establishment of new organs and the undertaking of fresh inquiries, etc. Underlying these observations was a perception of the need for action, especially in regard to economic and financial affairs. The Committee observed that the League constitution enabled Ministers of Finance and Economics to collaborate in solving economic and financial problems, just as Foreign Ministers collaborate on political problems on the Council: Governments can be represented by such Ministers or any other representatives for a particular purpose if they deem the occasion important enough. The Committee, regarding its terms of reference as limiting it to matters relating strictly to the reform of the technical organisations, did not make recommendations on this point. In

the light of these observations, however, it did make a very important suggestion, as following, in its view, on the acceptance of these principles:

that appropriate steps must be taken to set in motion, direct and co-ordinate the work of the various special Committees. This would suggest that suitable arrangements should be made, in some form to be decided upon, for drawing up a programme of work and co-ordinating and supervising its execution on such lines as to secure the necessary governmental authority.

Clearly it had specially in mind the need in relation to action on economic and financial matters and on communications.

An extremely interesting discussion ensued in the Second Committee.<sup>1</sup> The British Government delegate opposed the suggestion that technical committees' work be supervised and co-ordinated by a Committee of Ministers, or any new governmental body; inasmuch as the Council already had power and economic questions could be raised at the Assembly. The Belgian Government delegate said, with regard to the suggestion that fresh arrangements be made to give the necessary stimulus and guidance and ensure co-ordination of the work of the analogous Economic, Financial and Communications and Transit Committees, that such supervision might be exercised by the Second Committee of the Assembly and also by the Council, or by a Committee of Government representatives interposed between the technical organisations and the Council. He, and the Russian and French Government delegates, thought it inopportune, however, to set up a new body, inasmuch as the Executive Committee of the Monetary and Economic Conference still existed, comprising members of Governments, Ministers of Finance or National Economy, and recourse could be had to it. The French Government delegate thought that the League Council, usually comprising Foreign Ministers, might well comprise Ministers of Finance or

<sup>1</sup> See Minutes of the Second Committee of the 1935 Assembly for meetings held on 25th and 26th September, 1935. See also the *Journal* of the Assembly dealing with these discussions.

Commerce in discussions on important economic or financial questions. The Polish Government delegate thought that the Committee's observation, that technical Committees should be of governmental character or comprise personalities who, if nominated, must be in direct touch with Governments, was important. The Italian Government delegate emphasised the vital importance for Italy of the observation that tasks undertaken by technical organisations must be under Governments' initiative and control. For him the work of the technical Committees must remain under the supervision of bodies which can speak directly for Governments; but he did not think the Executive Committee of the Monetary and Economic Conference could intervene now. The Canadian Government delegate, however, considered that co-ordination of technical organisations was necessary and asked if it could not be done by Rapporteurs to the Council on the work of various technical organisations.

Eventually the Second Committee, seized of the importance of this issue for the Economics, Finance and Communications and Transit Organisations, decided that it would be wise to postpone a decision

as to whether a new body having powers of initiative and co-ordination should be created for questions connected with economics, finance, and communications. . . . At a time of uncertainty, when the world is still unable to visualise clearly the future course of economic development, it would be premature to lay down the principles of a reorganisation of the methods of the League of Nations in economic matters, especially as the League already possesses, within the framework of the existing organs, possibilities to which it could have recourse in order to ensure the necessary initiative and co-ordination.

It then recalled: the resolution<sup>1</sup> of the Bureau of the Monetary and Economic Conference whereby "an Executive Committee was created and authorised to take any initiative justified by circumstances";

the part already played by the Second Committee of the Assembly as an organ of initiative and co-ordination in economic matters,

<sup>1</sup> Adopted on 27th July, 1933

a part which might be further extended by a methodical preparation of its discussions by the Governments; . . . the direction and control exercised in a more continuous manner by the Council of the League. The Second Committee would point out that, under the provisions of the Covenant and the Rules of the Council, the Governments represented on the Council can delegate the Ministers responsible for economic and financial affairs in order to deal with these questions. The Council is, moreover, entitled, in order to co-ordinate the work of the technical organisations, to appoint from among its members a Committee including the Rapporteurs on the questions under consideration. Lastly the Council has always the right, of which it has often availed itself, to appoint Committees of specially qualified experts to deal with particular problems.

Although unwilling to go beyond this, at the moment, quite clearly there was a recognition in this Assembly of the need for carrying a stage further the League's Organisation in regard to economic and financial questions. The emphasis upon the necessity of proper governmental control of technical committees and of a purely governmental form of organisation for the Communications and Transit Organisation, indicated that Governments realised that they must co-operate much more closely in regard to the world's economic life.

On 24th January, 1936, the Council adopted the report of the French Government representative endorsing the Assembly's conclusions<sup>1</sup>: it was understood that the question remained open and that the Assembly or the Council would have to consider any necessary measures, later, as indicated by the Assembly. This report contained Draft General Regulations (based on the general principles approved by the Assembly) on Committees—framed with the aid of Rapporteurs on technical questions; in accordance with which Committees will submit new rules of procedure. Thus the Council is using the method of consultations between Rapporteurs on technical questions. At the opening of its Ninetieth Session, on 20th January, 1936, on the proposal of the Rap-

<sup>1</sup> See League Doc. C.71.1936.

porteur on the Composition of League Committees, the Council decided that its Rapporteur should have the assistance of a Committee of the Rapporteurs on the various technical questions,<sup>1</sup> and that a vacancy for a member of the Economic Committee should be filled by its President in agreement with the Rapporteur on Economic Questions. Only the appointment of an authoritative World Economic Council can meet the situation—and the above developments point in that direction.

It may be that the nations will not return to real international economic organisation except under the threat of another world war—and as these words were being written came the news of the appointment of the Co-ordination Committee and the Committee of Eighteen (with their Sub-Committees) under League auspices to watch over the application of economic sanctions against Italy, on the occasion of the Italo-Abyssinian War. This was the first time, since the Supreme Economic Council was dissolved, that some real form of international economic organisation had been created. As such it was a significant development in the economic history of the League and of the world as a whole, despite the occasion of its introduction. Must it always be left, however, to the urgent necessity and cruel reality of war to succeed where the equally urgent needs in peace time failed, in inducing the practice of a measure of international economic co-operation?

#### THE FUNCTION OF THE I.L.O. IN WORLD ECONOMIC ORGANISATION

Whether or not the International Labour Organisation is expanded to form the Governing Authority of the World Economic Organisation, it must be associated very intimately with this Organisation. It has taken a leading part in forcing the necessity for such an organisation to be created, to be recognised. Under the wise

<sup>1</sup> See also its decision regarding the fixing of the date for the consultation on Clearing Agreements.



guidance of its first Director, Albert Thomas, it thought in terms of the collective economy as opposed to economic laissez-faire, right from its inception. M. René Courtin<sup>1</sup> rightly emphasises that, whereas in its economic work the League has been "liberal", the International Labour Organisation has adopted an "international" policy. Liberalism characterises the League's economic work; hence its moderation and its failure. M. Courtin further points out, in contrasting the poverty of the League's economic work as compared with the wealth of its social organisation that, although there was no more enthusiasm for the latter than for the former, the I.L.O., backed up by pressure from workers' organisations, has developed it strongly. Moreover, in its work, the I.L.O. has been driven to consider the economic aspects of social problems. Social progress is inextricably bound up with the provision of a satisfactory economic system. The greatest problem confronting the I.L.O. has been unemployment; but the I.L.O. has known full well that, while it could suggest palliatives in the shape of promoting International Agreements, for example on social insurance, proposals for public works and for a shorter working week, the root causes of unemployment were economic. In the coal and other industries only a proper organisation, national and international, of the industry could remove this spectre. The economic crises inseparable from the existing capitalist order would recur unless attempts were made to relate consumers' purchasing to the growing volume of production made possible by the increasing application of science to industry. Again, unless international trade were properly organised there would certainly be unemployment. Hence a decision of the Governing Body of the I.L.O., in February, 1936, to adopt a U.S. Government proposal that there should be an I.L.O. inquiry into the effect of changes in commercial policy in each country on the employment and wages of workers. Take further, its task—urgently imposed upon it by workers and

<sup>1</sup> *Revue d'Economie Politique*, September–October, 1929.

employers in the older industrialised countries—of preventing competition between countries in different stages of industrialisation being carried on on the basis of cheap labour. How can that be accomplished without considering the economic aspects of the industrialisation of the overseas countries? Again, how can the problem of securing a universal shorter working week be solved without taking into account the economic background of the problem? Above all, its efforts have revealed that no country alone could hope to solve such problems as unemployment and the reduction of hours of work. There must be international economic co-operation, then, as the basis of social advancement. The I.L.O. has been driven, at its annual Conferences, to put forward temporary economic solutions of various problems. Thus it has advocated the organisation of large-scale national and international public works, not only as a means of reducing unemployment in times of crisis, but also, properly used, as a means of minimising, if not eliminating, the periodical booms and slumps of capitalist economy.

Look at the other side of the picture. A World Economic Organisation directing the world's economic life and planning its production cannot ignore labour and social problems; especially if, as urged previously, its economic planning is subordinated to its social planning. When, for example, it is relating production to consumption it must think of mass purchasing power and, therefore, of wages, hours of work, standards of living and costs of living. Moreover, of course, there will always be special labour problems associated with the organisation of production,<sup>1</sup> necessitating the repre-

<sup>1</sup> A singularly significant illustration of future I.L.O. activity was forthcoming at the First Regional Conference of Representatives of Labour Inspection Services, convened by the I.L.O. and held at The Hague, 14th-17th October, 1935, which discussed: "Organisation of factory inspection in industrial undertakings, including the question of collaboration with employers and workers." In this connection reference was made to a 1923 Recommendation adopted by the International Labour Conference; and it was agreed that there should be collaboration between joint Committees and the inspection staff,

sensation of organised labour's interests on certain Boards or Committees. The I.L.O. must be associated with any such representation of labour. The 1933 Congress of the International Federation of League of Nations' Societies, at Montreux, properly expressed satisfaction that the I.L.O. was associated with the Monetary and Economic Conference and urged that such association should be extended in all the League's economic work so that employers' and workers' interests could have full international expression.

This is not the place to deal with the broader question—very interesting though it is—of the future of the I.L.O. It is well worth while, however, as an illustration of the necessity of making it an integral part of future world economic organisation, to refer to a suggestion made, about two years ago, by Professor J. T. Shotwell, regarding its future.<sup>1</sup> He was concerned with the problem of rising prices as a result of N.R.A. measures and the possible result in increasing the volume of cheaper goods sought to be shipped into the U.S. At once he saw U.S. efforts, out of a concern to apply the highest principles, by financial policy and other policies, to improve U.S. industrial, labour and social standards, bound up with tariff and trade questions. As President Roosevelt realised when subsequently he decided that the U.S. should join the I.L.O., Professor Shotwell saw that the solution lay along the lines of international action. He turned, therefore, to the I.L.O. Could one not, he asked, introduce into the making of tariffs, regulating trade with other countries, the same kind of preoccupation with labour that has been so legitimately kept to the fore at home? Should not labour conditions be made one of the basic factors in tariff bargaining,

in aiming at proper enforcement of protective legislation. One day I.L.O. inspectors will have authority to insist that international labour legislation is administered effectively. See *Industrial and Labour Information*, 4th November, 1935, for a report of this historic meeting

<sup>1</sup> See *New York Herald Tribune*, Sunday, 17 9 33, Section VIII Magazine, pp. 3-4 and 10, "The N.R.A. and the Tariff. . . . A plan to make Labour Conditions one of the Bases in Tariff Bargaining".

and products made under specified, good labour conditions (internationally agreed upon) be given preferential treatment, while articles made under oppressive or exploitative conditions should be subjected to higher duties and impositions? In other words, could one not agree to reduce tariff rates by raising the standard of living?<sup>1</sup> He submitted that a technical international organisation should set forth the varying conditions which must be borne in mind in applying treaties along these lines. These questions would arise: What are the standards of living which are comparable in different countries? How can conditions of labour in Europe, America and Asia be measured? What are real, as distinct from nominal wages? The body which is distinctly indicated, he concludes, is the International Labour Organisation, the headquarters of which is constantly tackling such problems—which are clearly economic and social in character.

#### UNITED STATES OF EUROPE

In the path towards a rationalised international economic life, another order of ideas has emerged more or less strongly in recent years, namely that involved in a plea for a United States of Europe. It will be easier to achieve rationalisation of world economic life as regional economic unity is developed: in this development European economic unity could play a vital part. European Governments are realising the underlying solidarity of their economic interests. Existing economic

<sup>1</sup> Referring to the negotiation of commercial treaties, commodity by commodity, without any guiding principle of the general interest, as being but an extension of special interests throughout the world, he says that the general principle of equity among nations (as suggested by most-favoured-nation treatment arrangements) could not work out adequately so long as tariff making within a nation rests upon the anarchic principle of the dominance of individual rights. For in that case tariff negotiation, while seeming to represent the bargaining of nation with nation, is in reality a bargaining of privileged elements of each nation, which have acquired their rights by a false process of legislation. The overthrow of laissez-faire by the arrival of machine production, he says, makes it essential to apply some such principle to commerce as well as to labour.

circumstances are compelling this greater economic unity, just as they did in the United States.

At the 1929 Assembly, M. Briand made specific references to it; and the reactions were curious and interesting. The movement has been checked, perhaps, by the strong cross-currents in the British Commonwealth; but France has just revived it.

The idea is not new. In a powerful chapter in one of his books<sup>1</sup> M. Milhaud referred to the protagonists of the idea from Henry IV to Victor Hugo—who, unable to attend the Third World Peace Congress, in 1869, at Lausanne, wrote to the delegates as “My European compatriots”—and M. C. Lemonnier who, in 1872, published a book, *The United States of Europe*, and who, as Secretary-General of the International League of Peace and Liberty, brought out, at Geneva, from 1870 to 1884, its organ bearing the same title. M. Briand is reported to have said as he was leaving Locarno, “The United States of Europe are beginning. . . .”

A very strong argument in its favour is found in comparing the condition of the U.S.A. and present-day Europe.<sup>2</sup> The former enjoys higher wages and a higher standard of living and avoids the worst instabilities of Europe's system of competing national economies. The U.S.A. has not a single internal customs barrier and only one monetary unit. Though it is in size nineteen-twentieths of the whole of Europe, including Russia, and contains forty-eight States, goods and people circulate freely. Europe has 6,875 miles of customs barriers more than in 1914; twenty-seven distinct customs units as compared with twenty before 1914;<sup>3</sup> and twenty-

<sup>1</sup> *L'Organisation Economique de la Paix*, Chap. III.

<sup>2</sup> See Woodrow Wilson: *A History of the American People*, 5 vols. (N Y and London, 1902): Chaos up till 1786; after the 1787 Philadelphia Convention, unity.

<sup>3</sup> The French Peace Plan suggests a European Customs' Union (partial or total); a European Customs' Truce; organisation of money and credit on a European basis, approach to the raw materials and colonial problems from a European point of view; and the creation of a European Commission within the League.

seven different monetary units, as compared with thirteen before 1914,<sup>1</sup> each liable to severe fluctuations.

One remembers Germany's economic evolution to a single State for similar purposes.<sup>2</sup> Switzerland also knew the same struggle.<sup>3</sup> Italy, in the days of Mazzini, was divided into seven or eight different customs territories.

The real case, however, is seldom stated. The political United States of Europe, which has been visualised in the past, is desirable, the economically united Europe is equally necessary in Europe's own interest; but it is in the widest interest of the League of Nations as a whole that such an achievement is most urgently necessary. At present the Council and the Assembly find themselves burdened with numerous matters of purely intra-European concern that prevent time being given to more important matters of wider moment for the whole world. A United States of Europe could relieve the League of such heavy burdens. Also it is difficult enough to get real authority for the League as a central power; and, for it to administer many decisions that it might wish, and certainly ought, to take, would be extremely hard. The more separate areas or continents group themselves federally, the easier they make the subsequent administrative work of the League. Again, as the habit of unity and of surrendering authority grows, as it would by the achievement of such a unit, the easier becomes the larger surrender to the League. It should be especially easier to develop wider economic co-operation if Europe realised a degree of unity as a first step. Think of the economic possibilities of a united Europe, in co-ordinating big public works, transport and communications, providing credit and assured markets for the stricken

<sup>1</sup> And these thirteen pre-war national monetary units, under different names, were really only different expressions of one and the same monetary unit, gold.

<sup>2</sup> Till 1818 Prussia had no customs unity. There were sixty-seven different customs' tariffs. The process of unity went on from 1818 to 1869.

<sup>3</sup> Till 1798 there was chaos and anarchy: then a period of transition, up to 1848, when the new unitary régime, with monetary, postal and customs' unity, began.

agricultural and industrial areas of Europe, and in assimilating social legislation!

Objections have been raised by those who seem to see in the proposal a threat to the League. What has just been explained should dispose of this fear; for such a United States of Europe would only be intended as the basis for a wider co-operation within the League, which could only be facilitated thereby.

British opinion largely hesitates, and is very reluctant to move in this direction, because it is deeply attached to Commonwealth co-operation as a stage in the world's evolution. The British Commonwealth of Nations can help forward by its organisation larger forms of world federation, on the economic as well as on the political side; but it need not and must not exclude British co-operation with European countries. Britain, by bonds made by Locarno, is tied to Europe; in the League she has contracted obligations, in Europe, as elsewhere, which are larger than those of the Commonwealth. By her geographical situation she must be involved in Europe's prosperity or misery. In common decency, too, she cannot seek her main salvation outside co-operation with her European neighbours. Any other feeling, that it is wiser to concentrate on Commonwealth ties because entanglement in Europe may mean difficulties, betrays a lack of faith in the future of European peace and economic health and a weakness in attachment to the League. Without minimising the value of Commonwealth ties and the extent of Commonwealth commitments, it must be emphasised that Britain *is* a member of the European system: the economic stability and, hence, the peace of Europe deeply concern her.<sup>1</sup> "Even from the purely material point of view, the prosperity of Europe is one of our major economic interests."<sup>2</sup> There need be nothing fundamentally

<sup>1</sup> This was emphasised by Lord Halifax, at Bristol, on 23rd March, 1936 (*The Times*, 25.3.36). He condemned isolation, from the point of view of British past history and of her foreign trade

<sup>2</sup> *The Times*, 25 2 31, leading article

antagonistic in these two tendencies if British politicians are wise.<sup>1</sup> In any case, taking the long view, Britain cannot afford to put a Commonwealth before a European connection. Looking into the future, and grasping the significance of the loosening of Imperial ties and bearing in mind the geographical position of the other parts of the Commonwealth and their duty as component parts of other continents,<sup>2</sup> who shall say that, even from the narrowest point of view of self-interest, Britain would be wise to over-emphasise the Commonwealth, at the expense of the European connection? The Dominions are becoming increasingly independent<sup>3</sup> and must co-operate with their neighbours in forming larger economic units. Further, to take a narrow view, Britain's economic protection does not lie in a united Commonwealth. Her economic interests require the organisation of the European market: her Overseas Commonwealth areas cannot give her coal and textile markets or solve her problem of competition in her basic industries. The bulk of British foreign trade is not mainly inter-Commonwealth; and the foreign trade of the rest of the Commonwealth is not mainly with the Motherland and inter-Imperial.<sup>4</sup>

<sup>1</sup> "Just as the nations of the British Empire are being driven by economic pressure to achieve a greater measure of economic unity, so the nations of Europe will eventually be driven to a co-operative organisation of their production and their exchanges" (*The Times*, 25 2 31, op cit). These two movements, it continues, are "parallel and complementary".

<sup>2</sup> The U.S. tried to get Canada to participate in the Inter-American Conference, in the summer of 1936, in order to enable this Conference's scope to be enlarged. See *The Times*, 20 4 36.

<sup>3</sup> Cf. the Indian Legislative Assembly's decision, on 30th March, 1936, in favour of giving notice to terminate the Ottawa Agreement, 1932.

<sup>4</sup> In 1935, British imports from Commonwealth countries were 37.63 per cent of total British imports (£284,800,000 compared with £472 million from other countries); and 47.97 per cent of British exports went to Commonwealth countries (£204,300,000 compared with £221,600,000 to other countries). Towards the end of 1935 imports from Non-Commonwealth countries rose appreciably and relatively more than from Commonwealth countries. True, other than European countries figure in Non-Commonwealth countries; but the point is that for markets and imports Britain must look well outside the Commonwealth. The impoverishment of European as of other non-Commonwealth buyers during this depression has robbed Britain of valuable markets.

Again, the percentage of the Australian wool clip bought by Japan rose from 10, in 1926-7, to 20 in 1930-1, and is still rising towards 25. "If in any



Of course, if Continental Europe resolutely refused to march out of political and economic anarchy there might be a stronger case for an attempt to give the Commonwealth a greater measure of economic unity (perhaps, if possible, in co-operation with the U.S.A.), and to rationalise Commonwealth economic life, on the principle that it is better to rationalise any larger unit of world economic life than none.

In any case, the dominant note must be that the United States of Europe, like any other minor organisation, British Commonwealth of Nations or otherwise, must be regarded only as a necessary preparation for a world economic (and political) League of Nations. For Great Britain the major lesson is that economic and political isolation are impossible in the modern world.

British opinion is divided curiously. Mr. Amery, M.P., addressing the International Parliamentary Commercial Conference, in London, October, 1935, urged that Great Britain would not lose in joining in a European economic union but would gain more trade. The British Labour Party has been very lukewarm and uncertain about it. At the 1929 Assembly the Labour Government delegate took a very undecided line, presumably partly on account of the Commonwealth tie. Mr. W. Graham expressed the view that the way should be left open for European federation if that seemed desirable; but another Labour Government delegate expressed the fear that the result of a United States of Europe would be a tariff ring fence round Europe. The reply to this is, of course, that even should that occur, it would be better than the present state of affairs; for at least there would be only one tariff wall and there would be greater economic stability. In sharp contrast was the more realistic view expressed by Mr. Litvinoff at the 1935 Assembly, who advocated<sup>1</sup> a European

one year Japan were to fall out of the market, wool prices and with them the nation's welfare would break down completely." See *The Times*, 31.3.36, "Contracts 'Down Under', II," by Anthony Winn.

<sup>1</sup> On 14th September, 1935.

organisation within the League of Nations, as leading to a World Agreement, and the linking of this with other regional pacts of more limited scope. Consideration should be given, he said, to the relations with the Pan-American Union. The consolidation of Europe would permit the solution of many economic and political questions in which only Europe is interested; and would not go counter to the universality of the League.

Socialist Governments ought to be the first to support this idea; for to-day it is clearly understood that collectivist policy must be international in character and that collectivism cannot hope to succeed in one country alone without reference to economic events elsewhere, and, above all, to the need for rationalising economic life, on scientific lines. The path to world economic organisation, which is also the socialist solution, lies, for European countries, through a United States of Europe. It is significant that, at its Berne meeting, 16th-18th March, 1932, the General Council of the I.F.T.U. declared:

The experience of the last few years shows very plainly that the tendency of the world is to form large economic units. It is especially urgent that Europe shall be organised as an economic unit, irrespective of the adoption now or later of similar systems in other parts of the world

—and this with Sir Walter Citrine in the chair!<sup>1</sup>

<sup>1</sup> Cf the acceptance (following Mr. Bevin's passionate advocacy of "the importance of the Empire to the trade and prosperity of the world and the desirability of the organisation of the Empire as a unit of production, manufacture and distribution") at the Nottingham Trades Union Congress, in 1930, of the General Council's declaration that in the light of the tendencies towards greater economic solidarity among certain groups of nations, "we should be well advised to develop as far as possible such economic relations between the constituent parts of the British Commonwealth as will be to our mutual advantage. Such a policy, while helping to assure to us both raw materials and expanding markets, would not interfere in the slightest degree with our policy of world federation through the League of Nations, with our connection with the international Trade Union movement, or with other international agreements for particular industries. The only difference is that we should be able to negotiate and discuss as a Commonwealth instead of as a single nation and this would be a decided advantage in many cases." The British Trade Union Movement also has failed to make a firm and realistic approach to this vital question.

The achievement of an economic United States of Europe would be an inconceivably great impetus to the achievement of a larger and stronger measure of rationalisation of the world's economic life as a whole. It would give the movement a firm basis. Think, moreover, in terms of the economic consequences for Europe itself.<sup>1</sup> Balkanised Europe, comprising many sovereign States, with millions more soldiers for the frontiers than before 1914, enjoys a low standard of living. Her technical development and rationalisation have been hampered by her geographical divisions. The folly of the Versailles Treaty led to the creation of uneconomic small countries; and the consequent duplication of capital investments in machinery and buildings, and an increased supply of competitive products. Contrast this position with the vision of what would result from a United States of Europe, with an unrestricted consuming public of 350 millions, learning to develop its home markets, mass production and rationalisation, allowing higher wages and hastening the second industrial revolution. There would be greater economic stability and buying power. If Europe sticks to tariffs instead of achieving economic unity it might be as well if U.S. capital were able to get round tariffs by setting up concerns in Europe; giving an infiltration of U.S. methods and standards in industry, and a new consuming philosophy. U.S. missionary economic colonies could do a great deal to educate Europe! In any case, old, industrial Europe must look out. There is Communist, planned and growing industrial efficiency on the one hand and U.S. industrial efficiency on the other.

This European economic unity, however, must come: and the publication of the French Peace Plan has brought it nearer. The Pact of the League of Nations allows such "regional" Agreements as a European economic union would constitute. Article 21 says that "Nothing in the Covenant shall be deemed to affect the validity of international engagements, such as treaties of arbitration

<sup>1</sup> Cf. *America Looks Abroad*, by P. M. Mazur, New York, 1930.

or regional understandings like the Monroe doctrine, for securing the maintenance of peace."

Formed in accordance with the law and within the framework of the League, living and developing in its spirit, the European Economic Union will be the substratum of European peace, but still more of the peace of the world.<sup>1</sup>

#### PAN-AMERICAN UNITY

Steps also have been taken by American States to create a Pan-American League of Nations. Salvador, for example, suggested that the Montevideo Pan-American Conference should create such an organ.<sup>2</sup> Guatemala, Colombia and the Dominican Republic made suggestions, in their reply to the U.S. invitation to the Inter-American Conference, at Buenos Ayres, last year, that a League for the Western Hemisphere should be formed. In certain U.S. circles it was suggested that there might be formed Regional Leagues, for Europe, America and Asia, loosely bound in a World League. In any case this Conference considered many economic and commercial questions.<sup>3</sup>

#### WANTED: A WORLD FEDERATION<sup>4</sup>

While these partial groupings are welcome stirrings, the main goal must be the strengthening of the League and the extension of its political and economic influence till it becomes universal and authoritative. A direct world federation within the League is more desirable

<sup>1</sup> Milhaud *L'Organisation Economique de la Paix*, p. 86. Cf. Professor J. Hjort (of the University of Christiania), in the Huxley Memorial Lecture delivered before the Imperial College of Science and Technology, on 4th May, 1934; who urged "an economically united Europe; with the resulting collaboration between all practical thinkers in the various countries, which would be the best guarantee of peace" (*The Times*, 5 5 34).

<sup>2</sup> An Uruguay Government proposal, to the Santiago de Chile Conference of States Members of the I.L.O., in January, 1936, for the creation of a Pan-American Labour Office, was withdrawn lest aloofness from Geneva might be implied.

<sup>3</sup> Cf. R. G. Swing's message to the *News Chronicle*, 14 4.36

<sup>4</sup> In an interesting book, *The United States of the World* (New York, 1930), Oscar Newfang compares the League of Nations with the United States of America.

than any scheme of regional groupings or of linguistic families of peoples. The structure of the League should be transformed so that: its Assembly should have real legislative power, of action within a well-defined field, related to the limited rights of the constituent national Governments; the Permanent Court of International Justice should be developed into a real Supreme World Court, armed with a clear, written code of law upon which its decisions could be based and with compulsory jurisdiction between the States and adequate power to enforce its decrees;<sup>1</sup> and the League Council should be made into a modern Executive Cabinet, controlling sufficient and properly provided revenue and forces to execute the universal will declared in the Assembly's laws as interpreted by the World Court. There would be International Ministries of Education, Health, Transport, Production, Trade and so forth, developing international co-operative action. The same authority would be given to labour legislation; so that I.L.O. Conventions would be enforced by international inspectors; and the power of the I.L.O. Committee on Article 408 regarding the enforcement of Conventions would not be negligible. The World Economic Organisation of our dreams would fit into this international political federation just as the National Economic Councils would fit into the national political scheme.

#### THIS WORLD ECONOMY IS COMING

Humanity is advancing towards the goal of a world economy. Let us not lose our faith. The grave political and economic crises of our age are but the convulsions and birth-pangs preceding the entry of a new form of political and economic life. This precious prize of a world economy is too valuable for us to attain it without a struggle. The United States of America was born of a terrible struggle. Let us see to it that these crises are utilised to bring us more speedily nearer

<sup>1</sup> There should also be an international arbitral tribunal for settling non-judiciable disputes.

to our goal. We can take courage in the experience of national political and economic life. All over the world private and competitive national economic forces are being disciplined, rationalisation is proceeding. Re-organisation of national economic life in several countries is shaping itself around national economic councils. Centralised governmental control of all national economic forces has been developing in Germany, the U.S., Turkey and Italy, as well as in Russia. The Royal Decree of 2nd January, 1936, carried this development further in Italy<sup>1</sup> in regard to external economic relations. Economic necessity is suggesting regional inter-State economic unity. Beyond national frontiers, producers are being driven to co-operate and Governments have united in various agreements and forms of organisation, participating directly in international economic life. The coming world economy is taking shape. Economic necessity has been compelling the formation of the necessary economic machinery around the League. Within, as without the League, Governments have shown themselves eminently capable of directing economic affairs. They have built up within the League excellent machinery, technical competence and experience in economic matters, and trained international

<sup>1</sup> This created an Under-Secretary's Office for Foreign Trade and Currency, depending directly on the head of the Government; the existing National Fascist Institute for Foreign Trade and National Institute for Foreign Exchange were put under its control. It also absorbed the powers of the Ministry of Corporations and the superintendence of foreign currencies, the control of imports and exports, and the regulation of supplies purchased from abroad on behalf of the State. It is to be a permanent organ of the State, with controlling and organizing power. It "establishes the principle of the competence of the State to take decisions in vast sectors of our international economic relations, and on the use of currencies" (Signor de Stefani, former Finance Minister) (*The Times*, 3.1.36). On 4th February, 1936, Italy decided to carry this process further, putting foreign trade under the direct control of the Corporative State, with special reference to basic products and indispensable raw materials (*The Times*, 6.2.36). On 23rd March, 1936, addressing the second National Assembly of Corporations on the seventeenth anniversary of the formation of the first Fascist group, Signor Mussolini emphasised the significance of increasing State intervention in industry and of the State's position towards national economy in Italy. On this occasion he announced that the National Assembly of Corporations would displace the Chamber of Deputies (*The Times*, 24.3.36).

public servants with an increasingly international outlook. The foundations are ready. The moment for erecting the superstructure has arrived. There remains but to summon up out of our spiritual resources the faith and the will. This is no mere vision, but something in process of realisation, as mankind's only salvation from the ravages of capitalist disorder.—It alone can lay the foundations of a lasting world peace; which can only be ensured if rooted in economic justice and public international control of the main currents of the world's economic life. Collective international economy is the key to this new era.

#### A NEW AGE

We have the faith needed. We are moving into a new age, in which there is a growing federal division of labour and of production between nations with a view to a rational utilisation of their common patrimony: into a "new age of humanity"—the age of electricity, of petrol, which transform the whole of production into a social and an international fact; into an age of large organisms of production and transport which constitute economic forces stronger than the State. "So long as these new relationships, of the State, these new forces, the peoples and the individual, have not been defined and organised in new politico-economic institutions, there will be trouble and a grave menace to humanity."<sup>1</sup> But, at the same time, economic development along these lines, the increasing internationalisation of capital invested in huge industries and the growth of such economic contacts as are founded by air navigation, necessitate the internationalisation of economic life, the working out of international law and international control. New forms of international economic activity are being introduced; and newer forms must be worked out to meet this new situation. M. Minost, a French Inspector of Finance, has advocated that for goods with an economic value such that their possession or exploitation would

<sup>1</sup> Cf Georges Valois, in *Un nouvel âge de l'humanité*, Paris, 1929.

be likely to confer a political power, their exploitation should be confided to international Companies submitted to permanent control by their Governments. In any case all large economic enterprises should be governmentalised in some form, so as to internationalise all wealth whose utility is too general to allow its exploitation to be reserved for one single nation. Undertakings and resources of international interest, such as raw materials, air and other transport and electric energy, demand international public management or management by undertakings "mandated" and responsible to the League as a first stage. Behind all this evolution is emerging the idea of the public international service.

Aviation, as much as wireless telegraphy, is a force making for internationalisation. In all countries the State intervenes in the organisation of air undertakings: if for no other reason national defence makes this an over-riding State duty. Looking into the future one sees land and air transport not merely brought under collective ownership and control nationally, but evolving international organisations for their control. The same will apply to electricity as the exportation and importation of current grow with technical advance. The world's experience in regard to electricity indicates especially the necessity of applying collective principles to such important industries. Article 23 of the Pact provides that States Members of the League should take necessary measures to assure and guarantee free communications and transit. The First General Conference on Communications and Transit, held in 1921, at Barcelona, "considering that it is desirable that States possessing energy in abundance should cede some to those lacking it", expressed the wish that the question should be studied. The Second (1923) Conference, at Geneva, drew up conventions proclaiming that the management of water power from international water courses should occur without consideration of any trace of frontiers and that transit of energy should be effected freely across States. In practice nations deny these



principles. In France the 1919 law on the harnessing of water power forbade the export of electric energy of hydraulic origin. In Switzerland the 1916 Federal Law said that hydraulic energy must not be transmitted abroad without authorisation by the Federal Council. Italy seemed not to want to transmit water power abroad. The Canadian Province of Quebec, by a 1926 law, forbade export of water power energy; and, although in 1933, a new Government Act reversed this policy and permitted export to the U.S.A., the Dominion Government opposed it.<sup>1</sup>

Nevertheless, that the *facts* are pushing the nations towards economic co-operation in the direction of international utilisation of electric power is seen in what is happening in France and Switzerland. The part of France which is geographically well placed to import current from Switzerland can produce energy from streams but lacks reservoirs, etc. So, if it is a question of importing energy in large quantities, Switzerland can supply it in the summer allowing the coal-heated central stations to be extinguished during several months per year. If necessary Switzerland could receive thermal energy in winter. It began to do so in 1926. The regional distributing Companies' lines and those of the State run parallel, and thus an exchange of energy is easy. Further, the contiguity of these areas of the two countries makes an exchange of energy between these neighbours, by agreement, easy. Switzerland has sent into France in 1923 246 million kilowatts and in 1926 344 million. Similar exchanges occur between Switzerland and Germany, Germany and Austria, Switzerland and Italy. As there is no customs' barrier against railways, postal and air transport, there should be none against transport of electricity.<sup>2</sup> Science is ever driving

<sup>1</sup> The Quebec Bill, introduced in March, 1933, allowed export of 300,000 h p. per annum, with an export levy (*The Times*, 21.3.33). *The Times*, 12.5.33, says that the Federal Government was opposed to this when licence was sought.

<sup>2</sup> See an article by M Kromer, in the *Elektro-technische Zeitschrift*, 8.9.32 (summarised in *Le Génie Civil*, 14 1.33, p. 50), dealing with the possibilities of International Agreements suppressing political frontiers for exchanges of electricity.

men onwards towards fuller international economic co-operation; such is the lesson of electrical development. Why should not, says a French author, M. É. Minost, the energy of the great waterfalls on the Congo be brought to Europe by co-operation between the French and Belgian owning states? And, later, as nationalisms are exorcised, why not, he suggests, a big international concern fed by international capital, controlled by an international public commission, which would send across the world an electric current plunged beneath the sea, capable of lighting, even at the foot of Swiss glaciers, the meeting halls of the League of Nations? In 1933, Nikola Tesla, the well-known pioneer in wireless and cosmic ray research, claimed that he had discovered a method of harnessing cosmic energy which would revolutionise the economic system; eliminating the need of coal, oil, gas or any other fuel, and enabling a source of power everywhere present in unlimited quantities to be tapped and transmitted by cable or wireless to any part of the world.<sup>1</sup>

This new age will know no economic frontiers: those decadent symbols of pride, greed, folly and economic anarchy. Hertzian waves defy frontiers. Science gives a lesson to the conservative policy of States, a symbol of the interdependence of the nations of the universe. Ether waves carrying radio messages laugh at national legislators and cannot be controlled from any capital city. "They are delicate and self-willed servants of the winged-heeled Mercury. Sending stations must be accommodated to their whims; they will not accommodate themselves to any principle of national sovereignty."<sup>2</sup> The function of international broadcasting is another "gift that science and invention have given to the promotion of international amity."<sup>3</sup> The International

<sup>1</sup> See the *News Chronicle*, 2 11.33

<sup>2</sup> Joseph P Chamberlain, Professor of Public Law, Columbia University, New York City: *Annals (of the American Academy of Political and Social Science)*, July, 1930, "Control of International Transportation and Communications".

<sup>3</sup> W. S. Paley, President, Columbia Broadcasting System, New York City. *Annals*, July, 1930, "International Broadcasting Now and in the Future".

Air Navigation Convention of 1919 applied the new principle when it assured free passage of planes of one signatory State through the air space under the sovereignty of the others.

The new conditions of life, says a French writer, tend logically to the suppression of frontiers. Hertzian waves and aviation have taken possession of the whole earth; the whole earth needs such and such a vegetable which grows only in some privileged countries, such and such an ore found only in one or two countries, such and such immense sources of energy which nature has distributed so unequally. Yet never has the nationalist idea been stronger, never have "nations" been more solidly constituted. The expression "the common patrimony of humanity" is applicable only in the intellectual domain; in the economic domain the transition has barely occurred from the family to the national patrimony. Even when recently it has been suggested that there is a common patrimony of humanity in the economic domain, it has been thought impossible to go further than to speak of the "interdependence of nations". It is for us to make this conception an eternal fact, to translate it into a solid international economic organisation. We can will it. And, this evolution of a world economic order will create the only solid basis for that peace which all the peoples earnestly desire. As men learn to share wealth in common they will learn the art and the joy of constructive, political co-operation, in this new age of national and international collective economy.

## APPENDIX

### VOLUME II

P. xv.: "Mr. Bruce reminded the (Economic) Committee of his warning to the Conference of 1933 that, if the millions who were unemployed looked at a gathering of sixty Powers, and saw that the only result was to make the things they wanted more difficult to obtain, then the world was heading for the greatest social upheaval it had ever seen" (*The Times*, leading article, October 15th, 1936). "What the League needs is not legal nostrums, but a moral and psychological cure at the centres of will . . . in a world alive and full of every kind of change and development, life could not be confined within rigid political limits. All the vast activities of men ought to be brought within a framework of co-operation freely contributed. . . ." (J. Avenol, Secretary-General, League of Nations, Oxford, November, 1936, *Monthly Summary*, November, 1936, p. 342). "The great disturbers of international society are antagonisms in the economic field and the financial oppression of certain peoples" (Brazilian Foreign Minister, at the Inter-American Conference, Buenos Aires, December 5th, 1936). "I do not believe that there can be durable economic co-operation of the nations on a basis other than that of a new mutual exchange of goods. . . . Credit manipulations may, perhaps, exercise their influence for a short while, but in the long run economic international relations will be conditioned by the value of the mutual exchange of goods. . . . World economics are suffering . . . because disorder has been introduced into the production of the various nations and the relations with each other. . . . I cannot build the future of the German nation on the assurances of a foreign statesman or any other international help, but only on the real facts of production. . . . The Treaty of Versailles inaugurated the first division of Europe—the division of nations into victors and vanquished, and that is nations without rights . . ." (Herr Hitler, January 30th, 1937). "Sooner or later the nations will be compelled to seek their salvation in world trade, and the sooner the better" (Dr.

F. van Vlissingen, President, International Chamber of Commerce, Berlin, June 28th, 1937). "The social question of work and bread is no longer an internal problem of each nation. If an international policy does not assure space to live and the possibility of work to every people, all efforts to improve world economic relations will be in vain" (Dr. Schacht, International Chamber of Commerce, Berlin, June 28th, 1937). "Not gold but the products of labour must serve as the means of exchange" (Sir Henri Deterding, December 29th, 1936). "The new tariffs have proved a greater impediment to world peace than the ideologies. . . . International trade and commerce may prove the way out where the way is blocked to purely political solutions. . . . International trade has always been one of the most civilising agencies of our human advance" (General Smuts, Cape Town, February 10th, 1937). "Laissez-faire has been fully and absolutely abandoned in the field of pure economics" (Mr. Ferguson, Irish Free State Government Delegate to the International Labour Conference, June 11th, 1937).

## CHAPTER II, pp. 7-154

P. 7, Footnote: Dulles, E. L.: *The Bank for International Settlements at Work*, Cambridge, Massachusetts (Harvard University, Bureau of International Research), 1933; Einzig, P.: *The Bank for International Settlements*, London, 1932; 1918 *Volumes of U.S. State Department Wartime Documents*, published 1933, Washington.

P. 16: In November, 1918, the U.S. refusal to agree to French and British plans for improvements in Inter-Allied organisation ended interesting suggestions for international economic reconstruction, through a General Economic Board, with Special Committees. Germany also had thought of asking for the settling of economic problems by international planning of reconstruction.

Pp. 19-30: League Raw Materials' Inquiry: After a very full discussion, the 1936 Assembly, thinking the moment suitable for an inquiry into the question of equal commercial access for all nations to certain raw materials, requested the Council to appoint a Committee comprising members of the Economic and Financial Committees and other qualified persons, to study this question—this body to decide what raw materials should be considered: it believed that it would be desirable for nationals of non-Member

States specially interested to participate in this work. On January 26th, 1937, the Council appointed a Committee of Inquiry, members serving on personal grounds, not as Government representatives; and approved the French representative's suggestion that an I.L.O. representative should serve on the Committee, as the I.L.O. had been constantly occupied with the subject since 1919. This Committee met at Geneva, March 8th-13th, 1937. No German or Italian expert participated, but Japan, Brazil and U.S. (non-Members) experts did. On January 27th, 1937, the South African Government dissociated itself from the inquiry. The Committee considered a League Secretariat Memorandum, "General Aspects of the Problem as brought out by the principal statements made and publications issued since September, 1935," with a bibliography (*q.v.*), giving studies or review articles published during the first fifteen years in Belgium, United Kingdom, Czechoslovakia, France, Germany, Italy, Netherlands and U.S.A. This Memorandum gave a list (taken from an article by Mr. de Wilde in *Foreign Policy Reports*, September 15th, 1936) of what are generally regarded as the most important raw materials (see *Monthly Summary*, March, 1937, pp. 53-4). The Memorandum analyses the grievances of certain countries and ventilates suggestions made. revival of commercial exchanges through the abolition of obstacles to international circulation of goods; generalisation in old colonial territories of the system of the Open Door, or of the system of freely accepted commercial equality that formerly existed in the British Colonial Empire; transformation of colonies into mandated territories or transfer of their administration to an international authority; international organisation of distribution and control of raw materials; international agreements for distribution, through reciprocal exchange, of goods and services, and general international agreements under which all countries would enjoy equal treatment in all markets (or at least in colonial markets) as regards sale of their goods and purchase of local goods; generalisation of certain cartels' practice of admitting consumers' representatives to their controlling body; system of concessions; formation of chartered companies to develop and organise colonial territories administered by other States; international bank to realise big financial plans assuring free access to raw materials by certain States; an international mines and forests trust administered by the League, guaranteeing joint control and free circulation and conservation of raw materials. Sub-committees were appointed (see *Monthly Summary*, March, 1937, p. 56) on Statistics, Supply, Purchase and Payment, to study the

problems involved. The Committee decided to include food-stuffs and fodder for animals as well as raw materials for industry; and that, as most raw materials are produced wholly or mainly in sovereign countries, they should be considered, whatever their origin: rubber and tin are the only exclusively Colonial raw materials. Meeting June 16th-25th, 1937, the Committee decided to split into Supply, and Purchase and Payment Sub-Committees and considered Secretariat Memoranda. The former adopted interim conclusions on exploitation of natural resources, international schemes of purchase and sale and monopolies of production of raw materials. It was hoped to present a final report to the 1937 Assembly: its Bureau would frame a survey of the facts regarding production, distribution and trade, and current developments in regard to raw materials, and co-ordinate the report. On September 1, 1937, the Committee considered financial proposals to facilitate purchase of raw materials by countries enforcing exchange control (including a combined system of compensation and short-term credits, and closer central banks' co-operation for mutual facilities on relatively short terms for financing purchase). It also studied a memorandum on plans for international control of production and sale of raw materials. See also the League Economic Intelligence Service publication, "International Trade in Certain Raw Materials, by Countries of Origin and Consumption, 1935" (*Monthly Summary*, January, 1937, pp. 22-3).

*Pp. 41-2:* A Sub-Committee on Statistics of Production and Distribution met, at Geneva, July 2nd-4th, 1936. The Committee itself considered, October 12th-17th, 1936, a draft nomenclature of industries and occupations, and systems of classification of the occupied population by industry and by personal occupation and distribution of occupied population according to occupational status. It hopes to submit a full report on these problems, with recommendations which can be borne in mind in making the 1940 or 1941 occupational census. The Council was asked to send recommendations on mining and metallurgical statistics to Governments. The Committee noted the report (see *Monthly Summary*, Vol. XV, No. 10, p. 267) of a special Sub-Committee (on which the International Institute of Agriculture and the International Timber Office, Vienna, were represented) on timber statistics (called for by the 1933 Monetary and Economic Conference). As another body is studying statistics of timber resources, it has studied statistics of timber coming on to the market. The Committee also considered indices of industrial production, a

minimum list of commodities for international trade statistics, international tourist statistics and financial statistics (at the Financial Committee's suggestion). On January 25th, 1937, the Council gave effect to the Committee's recommendations on certain of these matters, asked Governments to act on them and called for an inquiry into timber statistics. On April 19th-24th, 1937, the Committee reviewed the Sub-Committees' work on price and financial statistics and decided to study price and quantum indices of international trade, and asked that Governments should comment on its programme in regard to statistics of the occupied population. On May 25th, 1937, the Council asked Governments to reply by November 30th, 1937.

*Pp. 42-6:* In September, 1936, Miners' International Federation and the International Christian Miners' Congress resolutions urged the League to take action to pave the way for an international coal agreement. In November, 1936, the I.L.O. Governing Body hoped that the League would resume action initiated with a view to preparing an international conference of producing countries. The Economic Committee, June 9th-15th, 1937, considered that such an international meeting would not attain practical results. In May, 1937, however, the I.L.O. Governing Body decided to convene a Technical Tripartite Meeting, in April, 1938, to consider all social and economic aspects of the coal industry, in connection with the reduction of hours of work: the Economic Committee will collaborate in this.

*Pp. 46-55:* The Economic Committee had nothing better to advocate at its meeting, September 4th-12th, 1936, than that the most-favoured-nation clause was an essential guarantee for the maintenance and development of world trade (see its report, *Equality of Treatment in the Present State of International Commercial Relations. The Most-Favoured-Nation Clause*, C. 379. M. 250. 1936. II B). The Committee admitted that this clause lost most of its effectiveness with the existence of quotas, foreign exchange control and compensation and clearing agreements, which it condemned, again, negatively: this condemnation of compensation arrangements was based on the false assumption that these need be bilateral in character. Then, on the Council's request, it studied schemes for multilateral compensation trade, and for increasing international trade by an international extension of the clearing system; and admitted that such proposals "might no doubt result in appreciable improvements in the present clearing system"!!! It offered no constructive proposals for organising world trade. The Committee also reiterated, complacently, its



feeble advocacy, in which the Financial Committee concurred, of the liberation of international trade from the stranglehold of restrictions and the "restoration of normal conditions" (i.e. those of laissez-faire capitalism which would lead to another and a worse 1929! 1). See also *Remarks on the Present Phase of International Economic Relations*, C. 378. M. 249. 1936. II B. The 1936 Assembly welcomed the beginning of collaboration in the Franco-British-U.S. monetary agreement of September 26th, 1936; but then weakly urged: the restoration of freedom of international monetary transactions (a principle in contradiction to this welcome! 1) and the return to a common monetary standard based on free exchange of gold; and reduction of excessive obstacles to international trade by all States—as if these would "re-establish a durable equilibrium between the economies of the various countries and allow more solid foundations for the stability of economic relations" (one cannot re-establish what has not been established, in any case!). The New Zealand delegate alone faced the root problem. In the Second Committee, he said: "The present Session of the League Assembly is, like its predecessors, a disappointment . . . Though modern industry has put within peoples' grasp ever larger means of consumption, poverty still reigns in the midst of plenty. The Second Committee should not give the impression of being engrossed exclusively by questions which, after all, are only the outer fringe of the major economic problems. As a safeguard against the evils we are trying to combat, tariff adjustments, 'barrier-sweeping' and gradual reductions in import restrictions are not enough. What is needed is to tackle the central problem and radically modify the economic structure of the various countries. . . . Distribution should be organised on lines that are really for the general advantage. . . . The general economic order should be directed towards a system based on really co-operative and collective foundations. No tangible results will be obtained till that is done."

*Pp. 57-61:* The Council decided to abolish the posts of League representative and Adviser to the National Bank, in Austria, and asked the Secretary-General to select an official, to report periodically on the Austrian financial situation.

*Pp. 61-6:* On July 4th, 1936, the Council noted that the Ghab plan had had to be abandoned; and asked its Special Committee to endeavour to settle the Assyrians of Iraq elsewhere. On September 25th, 1936, it transmitted to the Assembly its Special Committee's report on the winding up of the undertaking. The 1936 Assembly decided to wind up the Nansen Office in 1938,

and appointed M. Michael Hansson President of its Governing Body till December 31st, 1938; instructing him to organise the Office's activities during the winding-up period with the aid of League technical services, and to frame, by May, or July, 1937, a detailed scheme for liquidation, and submit for examination by the Assembly at its 1938 Ordinary Session, recommendations on the best way of allocating the tasks undertaken by the Office. The Assembly also decided that the Organisation dealing with refugees from Germany should be continued till the end of 1938; and prolonged Sir Neil Malcolm's appointment as High Commissioner till December 31st, 1938, to liquidate as far as possible the problem of refugees from Germany. Not later than its 1938 Ordinary Session the Assembly would determine the general principles which, thereafter, should govern the League's attitude to the whole refugee problem. On May 25th, 1937, the Council sent to Governments M. Hansson's plan for liquidation of the Nansen Office.

*Pp. 67-72:* The statement of French foreign policy, June 23rd, 1936, called for a meeting of the Commission to draw up an inventory of the general economic situation, the nations' needs and measures to revive trade. The 1936 Assembly renewed for another year the mandate of this Commission, which had not been able to meet during the past year.

*Pp. 72-8:* See also, *inter alia*, the International Commission of Agriculture, Brussels, July, 1935 (which considered reports on economic planning in agriculture) and Oslo, July 27th-30th, 1936, and the Seventeenth International Congress of Agriculture, The Hague, June 16th-21st, 1937.

*Pp. 96-7:* Sugar: With the approval of the President of the Monetary and Economic Conference, the President of its Economic Commission (as authorised by the Executive Committee of the Conference, in 1933, and in pursuance of the wish of the 1934 preliminary meeting of certain countries in London) authorised the Secretary-General of the League to convene an International Sugar Conference, in London. This was held, April 5th to May 6th, 1937; with twenty-two countries, including Brazil, U.S.A. and Germany (and a Japanese observer) represented. In his inaugural speech (as President of the Monetary and Economic Conference), Mr. Ramsay MacDonald said: "There is in the world a capacity to produce far in excess of the present demand. . . . Many of the past difficulties . . . have been due to . . . a failure to co-ordinate the sugar policies of different countries. . . . It is owing to the decisive influence of State

action that this Conference is composed of delegates of Governments, not of the producers themselves. Too many factors are involved for it to be possible for the terms of an effective sugar regulation agreement to be settled by producers alone. . . . While we are aiming primarily at safeguarding producers against disastrously low prices, we have to remember the interests of consumers. . . . We seek to bring order into the industry. . . .” The Agreement reached sought to establish and maintain an orderly relationship between supply and demand in the world market and to embody the principle of equitable treatment of producers and consumers in the regulation of production and marketing. It made an adjustment between total exports to the free market and total requirements of that market. Export quotas were allocated for amounts to be supplied by producing countries to the free market, so as not to burden the market or to cause an insufficient supply or an abnormal rise in prices prejudicial to the consumer and to increased consumption. Basic quotas were fixed, with machinery for adjustment to the market’s requirements. A Permanent Organisation was planned: an International Sugar Council (of representatives of contracting Governments), and an Executive Committee (of nine, representing importing, cane producing and beet-growing countries); with headquarters in London, with a Secretariat. The Council would encourage increased consumption and the search for new uses for sugar. Countries not exporting to the free market contracted obligations, determined as the maintenance and expansion of the free market. There were provisions regulating stocks: on a fixed date each year they would represent a given percentage of annual production or export quotas. The Conference also sought to achieve that all countries would prevent rising internal prices from checking consumption and stimulating new production so as to defeat the object of the Agreement (see *Monthly Summary*, April, 1937, pp. 71–2 and May, 1937, pp. 106–8). By August 31st, 1937, four Governments had ratified this Agreement, and two others had promised to do so. Wine: The Agenda of the September, 1936, meeting of the Economic Committee contained consideration of four international conventions adumbrated by the Monetary and Economic Conference.

*Pp. 97–8:* At the Eighth Session, July 21st to 23rd, 1936, of the Advisory Committee, Governments prolonged the life of the Committee and its Secretariat till August, 1938: the latter would prepare a survey (edited by a sub-committee) of fundamental economic and social factors affecting production and consumption,

and exports. The Chilean Delegation, supported by the Australian and other delegates, urged an inquiry into the possibilities of creating an international revolving wheat reserve, controlled and financed by an international body, to meet the needs of regions and countries unable to pay the current commercial price. The Swiss delegate said that this would necessitate international control of production and exports.

*Pp. 98-102:* An inquiry on co-ordination of rail and road transport has been made by a detailed questionnaire to Governments. The Communications and Transit Organisation published, June 30th, 1936, the Experts' report on the documentary material on public works collected: *National Public Works*, C. 276. M. 166. 1936. viii. See also (October 31st, 1934) C. 482. M. 209. 1934. viii (with Addendum, April 30th, 1935).

*Pp. 102-3:* On December 11th, 1936, the Council's Committee on Technical Co-operation between the League and China noted the League's plan for co-operation in 1937: renewed dispatch of experts to China and provision of facilities for study and investigation for Chinese experts sent abroad. The League experts sent to China in 1937, would consider the development of co-operative agricultural societies; a Nanking Chinese office of investigation into communications, accredited to the National Economic Council (including three League-appointed engineers) would advise the Chinese technical services on planning of waterways and roads, and help to train Chinese engineers.

*Pp. 104-6:* See an important article, *Monthly Summary*, November, 1936, pp. 342-6, on League Communications.

*Pp. 106-8:* See also Edgard Milhaud's lecture to the International Public Health Congress, Geneva, June, 1935, and p. 443.

*Pp. 108-II:* For the first time since the opening of the Conference for the Reduction and Limitation of Armaments (February 2nd, 1932), the Third Committee of the Assembly was set up in 1936; it approved the Bureau of the Conference's decision, in 1934, to adjourn any attempt at solving the general problem and to select certain questions for first treatment. On October 10th, 1936, the Council authorised its President to settle, as soon as circumstances permitted, and in any case before the end of the year, the date of meeting of the Bureau of the Conference. On January 26th, 1936, the Council decided to call the Bureau of the Conference to meet on May 6th, 1937. This meeting was postponed to May 31st, 1937. It decided, then, that work on all questions before the Conference could not be resumed; but

that, as the draft prepared by the Conference on publicity for national defence expenditure and the working of an organ of supervision and co-ordination would under certain conditions be a suitable subject for agreement, and as certain countries had set up a national system of supervision of manufacture of and trade in arms, the texts of this draft should be sent to Governments having participated in the Conference, asking if they would accept such a system of publicity. The Council would fix another meeting to consider replies; and the Secretariat would collect data regarding national measures of supervision of manufacture of, and trade in arms. See also Mr. R. C. S. Stevenson's Memorandum (for the Foreign Office) to the British Royal Commission on the Manufacture of and Trading in Arms, May 7th, 1936, on League work under Article 8 (5) of the Covenant.

*P. 112:* The International Exhibition of Rural Housing was made part of the Paris International Exhibition of Arts and Technique in Modern Life, 1937. In April, 1937, the Bureau of the Health Committee, in preparing for a second International Conference on Rural Hygiene, said that the health, social and economic aspects of the problem were interdependent. As the Health Organisation studies had shown that housing problems were a combination of sanitary, social, hygienic, financial and architectural aspects, the 1936 Assembly asked the Council to invite the Economic, Financial and Health Committees, and the I.L.O., to collaborate in a General Report to the 1937 Assembly on urban and rural housing. Following a 1934 Assembly decision, in November, 1934, resolutions of the Bureau of the Health Committee led to the formation of a Housing Commission, to study national, urban and rural planning, and seek to help administrations and legislative bodies by defining, for various climates, customs and regions, standards of healthy urban and rural housing, and healthy town and country areas. National Committees were formed in seven countries, represented in the Housing Commission. The Housing Commission wants such committees (co-ordinating technical and health activities) formed in all countries, with representation in the League Health Organisation's general Housing Committee. The I.L.O. collaborates in the work of the Housing Commission and its sub-committees.

*Pp. 112-117:* "Another thriving activity of the B.I.S. is the international postal, telegraphic and telephonic clearing. The transactions have increased in such a way that the bank has had to prepare a more efficient clearing system, which has already

been accepted by most members of the international postal union" (*The Times*, June 15th, 1937).

Pp. 118-22: By June, 1937, 41 of the 61 Governments parties to the 1931 Convention had signed the *procès verbal* incorporating an administrative agreement to alter the latest date for issuing the Supervisory Body's estimates from November 1st to December 1st, each year: all 61 must sign for the new date to operate. At the Conference, June 8th to 26th, 1936, of 40 States, the Convention on the Suppression of the Illicit Traffic was signed by 25 States' representatives. The Advisory Committee, meeting May 18th-June 5th, 1936, noted 53 ratifications of the 1925 Convention and 58 of the 1931 Convention; and considered a Secretariat Report on raw materials with a view to examining the possibility of limiting and controlling cultivation of the opium poppy, and cultivation and harvesting of the coca leaf. It instituted an inquiry and a collection of material on the former, with a view to an early conference on limitation and control of this raw material; and adjourned the coca leaf problem. The 1936 Assembly. invited Governments of opium-producing countries to communicate, before January 31st, 1937, the material asked for by the Advisory Committee in its questionnaire on limitation of raw materials, noted the Advisory Committee's decision to create a Preparatory Committee to establish the principles to serve as a basis for a convention on such limitation; and hoped that the Advisory Committee would envisage two conferences, one attended by representatives of countries producing raw opium which export this to drug-manufacturing countries, and the representatives of those manufacturing countries, and the other attended by representatives of countries producing raw opium which export this product to countries having a smoking monopoly, and the representatives of the monopoly countries. It recommended the calling of a general conference as soon as practicable after these preliminary conferences. In the Fifth Committee, the Portuguese delegate said that limitation of production and regulation of distribution were not a matter (as in the case of limiting manufacture) of controlling about 60 factories in about 15 manufacturing countries. Thousands of peasant families cultivating annually some 100,000 hectares of opium poppy, to say nothing of China, were involved. The Soviet delegate said that Russia was guided by these principles: limitation of production of all raw materials (opium, coca leaf and Indian hemp), and State monopoly of production of raw material, manufacture and distribution of all narcotic drugs. The Advisory Committee met,

May 24th to June 12th, 1937, and considered, *inter alia*, illicit traffic, control of *Cannabis* and drugs derived therefrom, and preparation of a conference on control and limitation of raw materials. It noted these ratifications: 1925, 54; 1931, 61 (with two more announced); 1936, 32 (with six more announced). It considered that the limitation and control of cultivation of the opium poppy and raw opium production should be wide enough to include any problem relating to the production and use of opium: Governments had stated their readiness to accept strong measures to suppress opium-smoking finally. Producing countries, drug-manufacturing countries, those with opium-smoking monopolies, and other consuming countries, would co-operate in such a conference. It formed itself into a preparatory committee. It noted voluntary limitation of production in some countries. World production of opium plus stocks was greatly in excess of world requirements; so producing countries were interested in a limitation of production scheme. To ensure participation of all producing countries in the preparatory work it asked the Council to invite the Afghan, Greek, Hungarian and U.S.S.R. Governments to send representatives and to authorise it to ask help from other countries as necessary. The Secretariat was asked to outline the general principle of such a convention. The Committee would consult experts, and meet as a Preparatory Committee not later than May 23rd, 1938. During 1936, the Advisory Committee adopted minimum draft standard rules for control over pharmacies, for use by Governments: a detailed development of part of the model administrative codes for applying the two chief Conventions.

*Pp. 122-6:* In the Second Committee of the 1936 Assembly, Lord Astor spoke of the economic aspect of nutrition, which the Mixed Committee would consider in 1936-7. The 1936 Assembly noted that national nutrition committees had been created in various countries, thought that their activities should be co-ordinated and asked the Council to arrange for exchanges of views among the representatives of these committees. On February 22nd to 26th, 1937, a meeting of representatives of national nutrition committees was held, at Geneva, in accordance with the Council's instruction to the Secretary-General on January 22nd, 1937.

*Pp. 126-39:* The Committee of Experts on the Application of Sanctions considered, on April 21st, 1936, data showing the trade of various countries with Italy, prepared to show whether sanctions were effective. On the recommendation of the Assem-

bly, on July 4th, 1936, the Co-ordination Committee, on July 6th, 1936, decided to bring these sanctions to an end on July 15th, 1936. The 1936 Assembly instituted a Committee of 28 to study proposals made by Governments regarding the application of the principles of the Covenant, and related problems. See *Monthly Summary*, December, 1936, pp. 371-2, for a division of this Committee's work at its meeting, December 14th to 16th, 1936, and appointment of rapporteurs on, *inter alia*, participation of all States, co-operation with non-member States, regional or continental organisation of the League, methods to be employed for the application of the principles of the Covenant, internal organisation of the League, Article 10, Article 11, Article 16, (a) general obligations, (b) regional pacts of mutual assistance and Article 19.

P. 141: The U.S. participates in the Advisory Committee on Opium and other Dangerous Drugs; and, with Japan and Brazil, in the Raw Materials Inquiry Committee.

P. 143: The I.L.O. also initiated the 1922 (Genoa) Conference.

P. 147: The new Advisory Committee on Scientific Management met, at Geneva, for the first time, on April 27th, 1936: this Committee was formed to aid the Office by doing the work formerly done by the International Management Institute, in giving advice on technical and economic aspects of scientific management, to assist its work on the social aspects thereof. The I.L.O. keeps in touch with the International Committee of Scientific Management, which nominates, for Governing Body approval, members to the above Committee; and was represented at its July, 1935, Congress, in London.

P. 148: In November, 1936, the Governing Body created a Permanent Agricultural Committee.

P. 152: See pp 140-1 in regard to the Santiago Conference. The Committee of Experts on Workers' Nutrition, in April, 1937, decided on studies into the economic and social effects of policies followed in seeking to improve the standard of workers' nutrition. The 1936 Conference resolutions asked for an Office study of the structural causes of unemployment and of technological unemployment, and Governing Body consideration of steps to facilitate the calling by the League, with close I.L.O. co-operation, of one or several international economic conferences, with workers' participation, to discuss all problems concerning currency, production, trade, settlement of populations and colonisation. One also urged the creation of an Asiatic Committee within the I.L.O. In November, 1936, the I.L.O. Governing Body decided that



the Office should draw up a list of subjects of direct interest to the Organisation, which might be submitted to an international economic conference, and study the conditions under which the Governing Body might be represented at it. It expressed the hope that the League Economic Committee would resume the joint work with a view to preparing an international conference of coal-producing countries. In November and December, 1936, at Geneva, economic and technical factors were considered by Preparatory Technical Tripartite Meetings on the Reduction of Hours of Work in the Printing and Kindred Trades and the Chemical Industry. From April 2nd to 17th, 1937, a Tripartite Technical Conference on the Textile Industry was held at Washington, attended by representatives of twenty-seven countries (including a German observer). It considered all aspects of this industry having a bearing, directly or indirectly, on the improvement of social conditions. This was the Office's first attempt to review the general situation of a world-wide industry. It presented a White Report on *The World Textile Industry. Economic and Social Problems*, Vols. I and II, dealing with sources of raw materials used, organisation of its varied production and world trade in raw and manufactured products, and recent changes in the industrial and commercial fields. "Textile manufacturing," it said, "may be described from the commercial point of view as an industry of over-production. From the social point of view, however, it may be characterised as an industry of under-consumption." The Conference's Report of its discussion on the economic aspects of this industry suggested, *inter alia*: that an International Tripartite Committee might be set up within the I.L.O. to study all the industry's economic and social problems; that Governments might contemplate the establishment of an International Commission to consider production and prices in the industry as a whole, as greater balance in the industry involves a certain degree of international industrial planning, and that efforts to co-ordinate producers' and consumers' interests in the industry be pursued and developed, with special emphasis on increasing the suitability and accessibility of raw materials for the technical and economic requirements of the industry in order to improve efficiency and lower costs (see "Tripartite Technical Conference on the Textile Industry," Washington, April 2nd to 17th, 1937, *Report of Proceedings, First Part*, I.L.O., 1937). On May 31st to June 6th, 1937, the Governing Body decided to convene a Technical Tripartite Meeting of the Coal Industry, in April, 1938, on the same lines as the Washington Textile

Conference: in preparing its report to this, the Office is collaborating with the League Economic Organisation, which is invited to be represented at the Meeting. The 1937 Session of the Conference welcomed Governing Body efforts to convene an Advisory Tripartite Labour Conference of Asiatic countries and to establish an Asiatic Committee. It adopted two Recommendations, on international co-operation in regard to public works to counteract economic fluctuations and combat unemployment by advance planning, and national planning of public works. The former provides that States Members should communicate annually to the Office full information on a uniform plan about works undertaken or projected and co-operate in an International Committee set up to study such information. Representatives of employers and workers and competent League organisations should be represented, with ratifying Governments, in this Committee. The latter Recommendation laid down principles for States to apply to maximise the value of their public works, including suitable timing, preparation in advance of reserve works and institution of a national co-ordinating body (see Grey-Blue Report, *Planning of Public Works in Relation to Unemployment*, I.L.O., 1937; and cf. Albert Thomas' advocacy of an extensive plan of international public works as a sort of "starter" to economic recovery in 1931—see *Report of the Director*, 1931, and 1932 pp. 36-46). The I.L.O. participates in the League's Raw Materials Inquiry Committee, Housing Commission, Joint Economic, Financial and Health Committees' inquiry into urban and rural housing and the Committee of Statistical Experts. It was represented at the Third World Power Conference, at Washington, September 7th to 12th, 1936. A First Regional Conference of Representatives of Factory Inspection Services was held at The Hague, in October, 1935. On May 24th, 1937, a similar Conference for Eastern European countries was held at Vienna; it discussed, *inter alia*, the question of collaboration with employers and workers. In 1938, a General Conference of Factory Inspection Services will be held with a view to elaborating a possible Draft Convention on the general principles of factory inspection.

*Pp. 152-3:* The Committee, on November 3rd to 4th, 1936, decided to study the last-mentioned problem systematically and to investigate the participation of agricultural and consumers' co-operatives in the fruit trade. It accepted an invitation to appoint a member to the League Mixed Committee on the Problem of Nutrition. On March 9th, 1937, it elaborated a systematic plan of study of contacts between co-operative and

public action in the economic field. The Committee also has considered the work of national committees of interco-operative action and has promoted the establishment of such bodies in a number of countries. It has dealt with: inquiries into the complementary supply and marketing requirements of agricultural co-operative organisations and of distributive organisations (with special reference to the egg and butter trade); problems connected with wheat, flour and bread, the organic forms of interco-operative relations; mixed co-operative undertakings; and the various forms of intervention by public authorities in the organisation of the marketing and distribution of agricultural produce, the possible effects of such intervention on the development of co-operative organisations and on interco-operative relations, and the possible influence of joint action by agricultural and distributive co-operative societies in determining the nature and effects of such intervention.

*Pp. 153-4:* Further support for the calling of a world economic conference has been forthcoming. See, *inter alia*: Declaration of M. Sarraut (French Prime Minister), April 25th, 1936, "One day an international conference, differently organised from so many others which have failed, must undertake to suppress national economic antagonisms"; Mr. Sato's (Japanese Foreign Minister) address to foreign correspondents, Tokyo, May 6th, 1937; *Labour and the Defence of Peace*, May 15th, 1936; Herr Hitler's declaration to Mr. George Lansbury, April 19th, 1937, and Signor Mussolini's declaration to Mr. George Lansbury, July 12th, 1937; and the League Economic Committee's suggestion, in September, 1936 (see its report to the Council, September 14th, 1936) that Great Britain, France, U.S.A., Germany and Italy should hold an economic conference. On April 8th, 1937, Mr. Baldwin announced that M. van Zeeland (Belgian Prime Minister) had accepted a Franco-British Government invitation to undertake preliminary informal investigations in various countries as to the possibility of securing a general relaxation of quotas and other obstacles to international trade. M. van Zeeland visited the U.S., in June, 1937. His assistant, M. Frère, also visited several European capitals. In July, 1937, it was stated that M. van Zeeland told the Belgian Government that a new world economic conference might be held in the not too distant future. On July 21st, 1937, King Leopold of the Belgians' letter to M. van Zeeland suggested, in "the quest of the elements of a rational organisation of world economy", "the creation of an organism of economic studies," having the "character of universality, permanence and independence". "Research into the elements of a universal

economic organisation, the continuous adaptation of this organisation to the constantly changing economic factors—such would be the object of the studies of this institution. Economic science, which is essentially living, is subject to the rhythm of life and the problems which it raises cannot receive unalterable solutions. . . . the institution contemplated ought also to be as independent as possible of national influences.” In their individual character, “persons all over the world best acquainted with all questions relating to industry, trade, agriculture, finance and labour” would co-operate in it. “Neither the lowering of tariff barriers, nor any partial measure, can alone put an end to the confusion which is threatening peace. If we really wish to avert war . . . we must have the courage to tackle the economic question in its entirety and to solve the great problems which menacingly confront humanity; distribution of raw materials—distribution of the means of exchange—international distribution of labour—equilibrium between the agricultural and industrial nations. . . .” (For the full text of this letter, see *The Times*, July 24th, 1937.) The best commentary on this excellent, but belated initiative was *The Times*, leading article, July 26th, 1937, which, after recalling the futility of the 1927 International Economic Conference, which was just such a body of experts unable to commit Governments, said: “What is most needed now is surely not further discussion between people who, whatever their authority as economists, are unable to commit their Governments, but agreements between Governments to get something actually done. Even the smallest of concrete achievements would be worth more than years of academic discussion and volumes of platitudinous resolutions, however comprehensive and however unanimous. . . .”

### CHAPTER III, pp. 155–270

P. 155, Footnote: Documentation prepared for the League Raw Materials' Inquiry Committee by the League of Nations' Secretariat, Greaves, H. R. G.: *International Control of Raw Materials*, London, 1936; Report prepared by the International Studies Conference for the June, 1937, Paris Conference; *Revue d'Economie Politique*, October, 1934, *La Politique concertée des Matières Premières*, by Fernand Maurette; Rowe, J. W. F.: *Markets and Men. A Study of Artificial Control Schemes in Some Primary Industries*, Cambridge, 1936; and Royal Institute of

International Affairs: *Raw Materials and Colonies*, London, 1937, and *The Colonial Problem*, London, 1937.

Pp. 157-60 (1): The British Empire is now the greatest supplier of platinum and its associated group of metals and London has the greatest refinery in the world: South African and Canadian developments have relegated Russia (formerly responsible for over 90 per cent of world output) to a secondary position (Mineral Resources Department of the Imperial Institute, *Platinum and Allied Metals*, Second Edition, London, 1936). Between 1931 and 1936, Russia rose to second place in the world's gold production

Pp. 162-5: "Our domestic recovery can be neither complete nor durable unless our surplus-creating branches of production succeed in regaining at least a substantial portion of their lost markets. Our production of cotton, lard, tobacco, fruits, copper, petroleum, automobiles, machinery, electrical and office appliances, and a host of other specialties is geared to a scale of operations the output of which exceeds domestic production by 10 to 50 per cent" (Mr. Cordell Hull, April 30th, 1936). Again: "If foreign markets are going to take in the future only 5 or 6 per cent of our production instead of 10 to 12 per cent of it, we shall have to find new occupations for upwards of two millions of our workers who will be directly or indirectly displaced by that great change" (*Cleveland Trust Company Business Bulletin*, January 15th, 1937). See also Wallace, H. A.: *New Frontiers*, New York, 1934.

Pp. 166-7: Germany openly admits that she wants minerals from Spain. Japan produces no cotton, wool or rubber. In 1934, she only produced 8.4 per cent of her consumption of oil products. Her coal and iron are meagre and poor in quality: Japan seeks iron ore and coal in North China.

Pp. 169-70: Germany is improving the quality of *Zellwolle* (wood-wool). From September 1st, 1937, its price was reduced, with export possibilities in view. Annual production has risen from 4½ million to 100 million kilograms since 1933. In Italy, a recent Bill encouraged production of synthetic rubber; and cellulose is made from straw. Japan makes a synthetic substitute for wool. See also Dr Speakman's address to the Textile Institute, London, June 5th, 1936, on artificial wool. Britain is manufacturing neoprene, a synthetic rubber-like compound (see *Synthetic Rubber*, by W. J. S. Naunton, London, 1937, and *The Times*, April 27th, 1937). A revolution is proceeding in agriculture: Professor Gericke, California, has grown vegetables and

flowers successfully in large tanks of water with the necessary inorganic compounds added. See also an important Report of the U.S. National Resources Committee on Technological Trends and their Effect on National Policy, July, 1937. On the other hand, see Sir H. Hartley's Mather Lecture to the Textile Institute, Southport, June 11th, 1937, on "Agriculture as a Potential Source of Raw Materials for Industry", especially in the U.S.—see his statistics on the volume of farm products used in making Ford cars (*The Times*, June 12th, 1937).

*Pp. 193-4: Coal:* See pp. 443 and 442-3.

*Pp. 194-5: Coffee:* See the Bogotá (Colombia) Conference of American producing States, October, 1936, aiming at regulating prices in world markets.

*P. 195: Coke:* An International Convention was signed, in London, June 11th, 1937, by German, Netherlands, Belgian, Polish and British producers; operative for three years, regulating and controlling exports (by allocation of quotas) and regulating prices. An International Coke Association and a Managing Committee were formed with Headquarters (with a Secretariat) at Brussels. A British Coke Export Association was formed (see *The Times*, June 12th and 14th, 1937).

*Pp. 195-9: Copper:* Restriction was removed, temporarily, January 13th, 1937. Ré-imposition was discussed in New York, in May, 1937.

*P. 200: Fishing Net Meshes:* At an International Conference on Mesh Regulations and Size Limits for Fish, held in London, on March 23rd, 1937, a Convention was signed by the Belgian, Danish, German, British, Iceland, Irish Free State, Netherlands, Norwegian, Polish and Swedish Governments, applying to the North Atlantic and Dependent Seas, except the Baltic and Mediterranean. It was intended to stop over-fishing, by regulating the size of the net and minimum size of each kind of fish specified sold. A Permanent Annual Commission would decide on the extension or alteration of the Convention. *Lead:* Negotiations in New York (June) and London (July), in 1935, led to producers supplying the European market agreeing not to expand output without notice.

*Pp. 200-1: Meat:* On July 6th, 1936, the British Minister of Agriculture announced the formation of an International Beef Conference and an Empire Beef Council, to regulate markets; with producers' representatives appointed by Governments, and an independent Chairman appointed by the British Government (see *Hansard*, January 21st, 1937).

*P. 201:* Mercury: The Consortium was dissolved by Spain in 1936 (see *The Times*, January 20th, 1937), after having been prolonged till the end of 1936.

*Pp. 208-12:* Rubber: On November 12th, 1936, the International Rubber Association and the Dutch East Indies Government established, at Amsterdam, a Rubber Research Bureau, to find new uses for rubber: it is intended to form an International Research Board between the French, Netherlands and British national research bodies.

*Pp. 213-16:* Steel: On December 11th, 1936, at Berlin, rules and minimum prices for the sale of steel tube were agreed upon by an international committee appointed by a November, 1936, London meeting of European manufacturers. The Wire Cartel, allotting quotas, operating from January 1st, 1932 to December 31st, 1936, was renewed on October 15th, 1936, at Brussels. Belgian, Luxemburg, German, Czechoslovak, French, Netherlands, Danish, Hungarian and Polish representatives participated. Agreement was also reached with Great Britain (the U.S. and Japan remaining free markets). An International Thin Sheet Cartel (under the International Steel Cartel) Agreement was signed at Brussels, on July 29th, 1936, with British participation. An international sales organisation was created for thin sheet and galvanised sheet steel; and export quotas were fixed. At Paris, on March 11th, 1937, European producing countries (under the Steel Cartel) agreed to co-operate in buying and distributing all imported iron and steel scrap.

*Pp. 216-21:* Sugar: See pp. 435-6, and Cmd. 5461, May, 1937, for the text of the International Agreement. The provisional Council met in London, July 5th, 1937.

*Pp. 221-3:* Tea: On September 1st, 1937, it was announced that the Indian, Ceylon and Netherlands East Indies Governments had agreed that the control scheme, embodying restrictions on re-planting, should be continued for five years from April 1st, 1938.

*P. 223:* Textiles: See p. 442. Timber: See pp. 432 and 433. A European Timber Exporters' Convention regulated export quotas in 1937: nine organisations were represented at the London meeting of the Executive Committee, February 22nd, 1937, which agreed on maintenance in 1938.

*Pp. 223-8:* Tin: Differences arose regarding Siam; but eventually a new scheme operated, for five years, from January 1st, 1937; Malaya, Belgian Congo, France, Netherlands East Indies, Siam, Bolivia and Nigeria participating. Standard tonnages and

export quotas were provided for; definite provision was made for representation of consuming interests (U.K. and U.S.) on the International Committee; and the stock of tin and concentrates kept within any territory was not to exceed 25 per cent of the standard tonnage for the territory. On July 26th, 1937, the Chairman of Southern Kinta Consolidated advocated the re-establishment of the "buffer pool".

*P. 229: Whaling* In May, 1936, an International Whaling Conference, of British and Norwegian Governments and companies (responsible for 80 per cent of trade), was held, at Oslo. An observer from Germany (the biggest consumer of whale oil) participated. An Agreement covering the next season was concluded on September 22nd, 1936. It restricted the close season and limited the number of whale catchers usable at any one time by any whale factory; ship-restriction was by quota in exceptional cases. At an International Whaling Conference, held in London, May 24th to June 8th, 1937, a Convention regulating whaling in all waters was signed by the South African, U.S., Argentine, Australian, German, U.K., Irish Free State, New Zealand and Norwegian Governments, operative till June 30th, 1938, with provision for automatic continuance. Japan did not participate; but Canada and Portugal had observers.

*Pp. 229-32: Wheat:* See pp. 436-7.

*P. 233: Wool:* On January 15th, 1937, a Dominions Wool Conference, at Melbourne, decided to create an International Wool Fund to promote research and publicity. Mr. Lyons urged the calling of an international wool conference on research, manufacture and marketing.

*Pp. 233-4: Zinc:* The cartel broke down in July, 1934; and was dissolved, January 13th, 1935.

*Pp. 235-47 (5):* See *Report on International Cartels*, to the 1937, Berlin, meeting of the International Chamber of Commerce; *Times Trade and Engineering*, August, 1937, summary thereof; *Westminster Bank Review*, May 27th, 1937; and K. Pribram *Cartel Problems*, Brookings Institution, Washington, 1935.

*P. 235, Footnote:* Unfortunately Mr. Baldwin's statement, April 27th, 1936, somewhat weakened the force of these declarations. See Lord Noel-Buxton's motion in the House of Lords, February 17th, 1937, which was useful, but far too limited. Lord Plymouth's reply was unfortunate.

*P. 239:* See the provision for consumers' representation in the renewed tin agreement.



P. 241: On April 24th, 1936, Dr. Schnee, former Governor of German East Africa, addressing the German World Trade Society, said: "Germany is a people without space and a land without raw materials. . . . *Gleichberechtigung* will be won." On December 10th, 1936, Dr. Schacht said: "Germany has too little living room for her population"; and, again, referring to the post-war distribution of property and political sovereignty, "The War losses I have mentioned have touched Germany at a point which as a matter of physical necessity will remain a revolutionary element in the European situation if a remedy is not provided elsewhere." On March 1st, 1937, at a meeting in connection with the Leipzig Fair, Herr von Ribbentrop, condemning the division of nations into "haves" and "have nots", said. "The Versailles Treaty has brought Germany into the front rank of 'non-possessing States'. . . . It is no longer possible in the present day that some countries can be flowing with milk and honey while others have to struggle for a minimum existence". On March 2nd, 1937, the Fascist Grand Council spoke of the preparation of the "less-endowed peoples" to resist "the eventual aggression of countries rich in money and possessing greater natural resources". On June 21st, 1936, the semi-official Polish *Kurjer Poranny* spoke of "sacrifices from the 'satiated' Powers for the benefit of those now 'hungry' . . . Poland follows closely behind Germany among the 'hungry' countries." See also Sir Arnold Wilson's and Mr. W. H. Dawson's letters, *The Times*, September 29th, 1936, and November 4th, 1936, respectively, supporting the German plea for colonies.

Pp. 242-5: See pp. 430-2 for the discussions of the 1936 Assembly and the work of the Raw Materials Inquiry Committee. Note that this Committee realised that the problem could not be confined to colonial areas. The resolution on Trade, Raw Materials and Colonies adopted by the 21st Plenary Congress of the International Federation of League of Nations Societies (Bratislava, June 28th to July 3rd, 1937), was another example of the futility of Liberal and League of Nations Union ideas in approaching this problem; free trade and the "Open Door" are hopelessly inadequate policies.

P. 244, Footnote 2: See also the International Chamber of Commerce, Berlin, 1937, resolution adopted, on the importance of alleviating problems due to inequalities in natural resources.

Pp. 247-263 (b): The Southern Africa Transport Conference—at Johannesburg, in September, 1936—of Governments of all African territories in the Southern Hemisphere (including Union

of South Africa, U.K., Portuguese, Belgian and French territories) considered, *inter alia*, road and rail competition, civil aviation and tourist traffic

*P. 249 (1), Footnote:* See also *The Times*, September 17th, 1935.

*Pp. 250-7 (4):* On November 23rd, 1936, the Baltic and International Maritime Conference announced that the Special Committee supervising the "Baltwhite Timber Scheme" stated that it would be binding for 1937. The formation of a Conference of passenger lines trading between Europe and the Far East, representing seven nations, was announced, June 30th, 1937.

*Pp. 258-62 (8):* In May, 1937, an International Wireless Communications Conference, representing 26 nations, was held at Bucharest.

*Pp. 262-3 (9):* See the Conference of the International Aeronautical Federation, June 21st, 1937, representing 23 nations, to facilitate aeroplane journeys.

*Pp. 263-8 (c):* The Third World Power Conference and Second Congress on Large Dams, representing 54 countries (Government and other delegates, representatives of the I.L.O. and the League Communications and Transit Organisation), was held at Washington, September 7th-12th, 1936. It discussed the technical and economic problems of the power (coal, oil, natural gas and water) industry, social control, public ownership, and conservation and rational use of power resources. Under the general title, "National Power Economy", it considered the organisation of industry, i.e. organisation of production, processing and distribution of coal and coal products, and organisation of production, refining and distribution of petroleum and petroleum products, and national and regional planning. A large-scale inventory of world power resources was elaborated. Economic problems predominated; for it was agreed that economic and social progress lag behind technological development. The U.S. Secretary of the Interior and Public Works Administrator said. "All of us have wasted our heritage of forest, soil, water and mine. Imagine the benefits, both material and spiritual which would have resulted if hundreds of years ago representatives of the countries of the world had met frequently to consider the best method of preserving forests, while at the same time making proper use of them." In August-September, 1937, a Section meeting of the World Power Conference was to consider the economic and technical aspects of the "energy requirements of agriculture, small-scale industry, household, public lighting, and electric railways". The Second Chemical Engineering Congress of the World Power Conference was

fixed for 1940 (Berlin); and the Fourth Plenary Meeting of the Conference for 1942 (Tokyo).

*Pp. 268-70 (d)*: On August 26th, 1936, Dr. Schacht suggested the creation of an international exchange equalisation fund, during his Paris visit. See p. 467 regarding the British, French and U.S. Governments' declaration on monetary policy. An International Conference of fifteen economists in the service of commercial banks in twelve countries (U.S., Canada, Australia and Europe), held in London, in June, 1937, considered, *inter alia*, Government control of banking policy and operations, central bank control of the banking system, and relations between banks and the public, considered more especially as a factor in shaping economic conditions.

*Pp. 269-70 (3)*: In December, 1936, the Governors of the Central Banks of the Balkan Entente, meeting at Athens, suggested that they should be represented on the administrative council of the B.I.S.

#### CHAPTER IV, *pp. 271-342*

*Pp. 272-4 (1) (a)*: As regards the Rhine, the Versailles Treaty provisions were completed by a protocol of adhesion on the part of the Netherlands, January 21st, 1921; accompanied by an additional protocol, March 29th, 1923. The Barcelona Convention (April 20th, 1921) applied to the Rhine: its provisions took precedence if the two texts disagreed. A German Note of November 14th, 1936, denounced the clauses of the Versailles Treaty relating to the internationalisation of the Rhine, Danube, Elbe, Oder, Moselle and Niemen. Germany naturally complained at not having been readmitted since the Great War to the European Commission of the Danube. In May, 1936, a new Rhine Convention had been initialled by all the Powers concerned, including Germany, except the Netherlands. 1936 negotiations had resulted in an agreement on the Elbe.

*Pp. 280-2 (2) (e)*: See *The Times*, "Egypt Number", January 26th, 1937, "An Artery of Commerce," by Sir Arnold Wilson, M.P. A new agreement between the Company and the Egyptian Government was made in April, 1936. The maximum dues were fixed at the equivalent in Egyptian piastres of 10 gold francs. The Company was to pay the Government £E.200,000 per annum. Two seats on the Board were to be reserved for Egyptians (Egyptians were to be elected as vacancies arose till they held

one-third of the directorships). A new agreement was announced, June 8th, 1937: the Government's share of profits was to be £E 300,000 per annum.

*Pp. 285-6 (3):* In August, 1936, an important group associated with the Iraq Petroleum Company acquired a controlling interest in Mosul Oil Fields (formed, in 1932, to acquire all shares of British Oil Development Company), and the Board (which formerly contained German, French, Iraq, British and—until August, 1936—Italian directors) was reconstituted. In April, 1936, the Egyptian Government was said to be negotiating for purchase of  $1\frac{1}{2}$  million shares in the British Oil Development Company. In September, 1933, German, Netherlands and U.S. airship representatives agreed on co-operation, covering the whole world, in developments. An Intercontinental Airship Company was to be formed, in Amsterdam, and a national airship company in each of these countries. The latter were to be shareholders in the international company and appoint its directors. The German company (Deutsche Zeppelin-Reederei) was formed, March 22nd, 1935, with a Deutsche Luft-Hansa (under public control) shareholding.

*Pp. 289-93:* On July 30th, 1936, President Roosevelt stated that he would discuss with Lord Tweedsmuir, on July 31st, 1936, in Canada, the St. Lawrence project; and hoped that an exchange of electric power, without duty, might be instituted between the two countries.

*P. 294:* On July 30th, 1936, Sir P. Sassoon gave these details of the Trans-Atlantic Air Services Agreements: a joint operating company would run services; it would be incorporated at the instance of three companies, one each nominated by the U.K., Irish Free State and Canadian Governments; the U.K. would nominate Imperial Airways; the Board of directors of the joint company, of nine members, would be nominated, three each by these three companies (the U.K. to nominate the chairman and managing director); capital would be subscribed, 51 per cent, U.K. company,  $24\frac{1}{2}$  per cent, each of the other two companies; in return for landing facilities granted by the U.S. to the joint company, Pan-American Airways would be granted landing facilities by these three Governments and Newfoundland; Pan-American Airways would participate on the basis of reciprocity with the joint company in running the services; in the experimental stage, flying operations would be financed by the U.K. Government, and later by an annual subsidy, to come, 20 per cent from Canada (up to £75,000), 5 per cent from the Irish Free

State (up to £12,000), a sum to be settled with the U.K. from Newfoundland, and the balance from the U.K. Government; rights granted and financial assistance would be for 15 years; and an Inter-Governmental Committee on Transatlantic Air Services, comprising four members, appointed by the U.K., Canadian, Irish Free State and Newfoundland Governments, would be established, to decide on proposals affecting national policy, or relations of Governments *inter se* or with other Governments. A Government-planned Trans-Canada Air Service will be linked up with this. A fifteen-year agreement between the British and Australian Governments, announced in February, 1937, provided for the latter's participation in the Empire Air Transport Scheme (for a twice-weekly air mail service); for which there is a general advisory committee of all participating Governments—agreement with South Africa and most other African Governments having been reached in 1936. In April, 1937, the British, Australian and New Zealand Governments agreed on joint control of the Trans-Tasman air mail service. In 1934, the First Central American Conference, attended by Costa Rica, Guatemala, Honduras, Nicaragua and Salvador, led to a Treaty between these Governments, which undertook to co-operate in trans-continental communications and secure other States' collaboration. Several sections of the Trans-continental, Pan-American Highway have been completed (e.g. Simon Bolivar Road, linking Venezuela, Colombia and Ecuador). At the 1935 Pan-American Commercial Conference, a resolution was adopted, requesting every country to indicate which road schemes were international in character, and which it planned in each five-year period, so that neighbouring countries might act together in building and improvement schemes. The 1936 Inter-American Peace Conference, Buenos Aires, adopted a Draft Convention whereby ratifying States agreed to establish a technical committee to co-ordinate Governments' plans and finance building schemes required; a financial committee to report to Governments on means of accelerating the Trans-American Highway; and a permanent office for giving information on works' programmes and for tourists. The 1933 (February 1st) U.S.-Mexico Treaty corrected the course of the Rio Grande. In August, 1934 (following a tariff war in 1931, and later commercial treaty), the Chilean and Argentine Governments concluded an agreement whereby the Chilean Transandine Railway should take over and operate the undestroyed portion of the Argentine Transandine Railway. (Both Governments have participated in their sections of the

Transandine Railway. The Argentine Government is now planning to rebuild the remainder in its territory and incorporate it in the State Railways). An Italo-German ten-year Agreement of June 26th, 1936, between the two Air Ministries, regulated the establishment and operation of services such as Rome-Berlin (via Venice and Munich) and Rome-Amsterdam (via Frankfurt) and granted Germany facilities for services to the Eastern Mediterranean. The Agreement for building the Turnu-Severin-Kladovo Bridge, linking Rumania and Yugoslavia, was signed November 23rd, 1936.

*Pp. 297-9 (9):* Pan-American Highway: see p. 294 above. Pacific Shipping: The 1937 Imperial Conference appointed a sub-committee, representing the U.K., New Zealand, Australian and Canadian Governments, to deal with this matter.

*P. 301 (12):* Regarding the Danube Bridge, see p. 294 above. Co-operation between Imperial Airways, Pan-American Airways and the Portuguese Government in a New York, Bermudas, Azores, Lisbon, Southampton air service, was projected in 1937 as alternative Atlantic routes. A contract between these parties was reported signed, April 4th, 1937. In June, 1937, Franco-German co-operation in a North Atlantic Air Service was reported. The provisions governing the newly-formed "Air-France Transatlantique" (of the share capital of which the French Government holds 25 per cent and "Air-France" and "French Shipping Line" divide the remaining 75 per cent) stipulated that the latter can be forced to let the French Government have a 55 per cent interest, to get full control, "in the event of an international company being formed".

*P. 305:* Financial Committee: On January 27th, 1937, the Council's Rapporteur on the Constitution and Working of League Committees said that he hoped to be able to submit definite proposals for the Committee's reorganisation at the Council's next Session. He described the Committee's task as the study of general financial questions, giving advice and assistance to particular States and advice on financial questions arising out of the Council's political or administrative work. He stressed the necessity for co-operation between the Economic and Financial Committees and suggested that the Council, in future, should extend the choice of members to persons possessing the widest possible financial experience and general economic knowledge, including representatives of various types of financial markets. On May 27th-28th, 1937, the Council approved these suggestions for revised Statutes.

*Pp. 306-9:* Communications and Transit Organisation: The

1936 Assembly empowered the Council to draw up and approve the new Statutes on its behalf, after a further attempt to overcome difficulties in applying the principles adopted by it in 1935. In May, 1937, the Council adjourned the matter till its September Session (see also the Report of the Council meeting, September 26th, 1936, *Monthly Summary*, September, 1936, p. 260).

P. 309: Health Organisation: Footnote: See the draft revised Statutes for the Organisation, approved by the Council, September 26th, 1936 (*Monthly Summary*, September, 1936, pp. 260-1) and the 1936 Assembly; making it practicable to call an annual meeting of the General Advisory Health Council, at which all Governments, whether Members of the League or not, may compare experiences and examine the Health Committee's work. On January 27th, 1937, the Council's Rapporteur on the Constitution and Working of League Committees told the Council that the new Statutes would come into force as a result of ratification by the Office international d'Hygiène publique. On May 27th-28th, 1937, the Council approved the Draft Rules of Procedure submitted by the Health Committee.

Pp. 310-II: See p. 434 regarding the abolition of two League officials' posts in Austria. The Assembly appointed the Committee to Study the Application of the Principles of the Covenant. The Co-ordination Committee (on Sanctions taken against Italy), and its Committees and Sub-Committees, were, in effect, Committees of the Assembly. The Council appointed the members of the Committee of Inquiry into the Problem of Raw Materials.

Pp. 320-34 (c): Barter and compensation trade continues to flourish. In Belgrade, June 11th, 1936, Dr. Schacht stated that he believed that barter had come to stay for a long time to come in international trade: Germany was trading by barter with South America and South-Eastern Europe. In July, 1936, a £6 million agreement for bartering Chinese metals and other goods against German goods was reported. A German-Canadian agreement of October 22nd, 1936, provided for reciprocal trading. A German-Japanese barter arrangement was reported in November, 1936. On December 23rd, 1936, the U.S. Treasury sanctioned barter transactions with Germany, and plans for bartering U.S. cotton were being made, with provision for extension to other U.S. exports, in January, 1937. In January, 1937, arrangements were reported for exchanging German arms against Portuguese (Angola) raw materials recovered by German capital and engineers. In April, 1937, Dr. Schacht's Brussels visit was said to relate to

an ingenious barter plan, whereby Belgian (Congo) raw materials, such as copper and vegetable oils, would be supplied to Germany on a credit basis, being transformed into manufactured goods, part of which would serve to pay Belgian creditors. Germany clearly has executed her intention to ignore the old financial system, and has sought to build up a new commercial system based on direct trading. Four-fifths of German import trade was on a special clearing and compensation basis at the end of 1936. On May 1st, 1937, Herr Hitler indicated German policy: "If we can procure raw materials by barter, well and good. If not we must do it with our own resources. Our chemists have shown us the way." An Austro-German agreement of January 27th, 1937, provided for a reciprocal increase in trade, visible and invisible. Poland's Exchange Control of April 27th, 1936, was followed by a Decree of May 8th, 1936, establishing full Government control over foreign trade, with a view to driving all of this on to a barter (compensation) basis—60 per cent was already on this basis. A Polish-German clearing agreement of March 1st, 1937, provided for mutual commercial exchanges of over £7 million per annum. Most Greek foreign trade is on a clearing basis, especially that with Germany. Most of Hungary's foreign trade also is on a clearing and compensation basis. Rumanian regulations of October, 1934, provided that imports must be preceded by the exports which pay for them. In November, 1936, the Tokyo Chamber of Commerce and the Belgian metal union were negotiating an exchange of Japanese foodstuffs, textiles and pottery for Belgian machinery, arms and aircraft. In May, 1936, the Chinese Finance Minister put forward plans for Government control of foreign trade on a barter basis. On July 15th, 1936, Mr. Runciman admitted that the British Government had been compelled to resort to clearing agreements: a Clearing Office Act was passed in 1934. On April 27th, 1936, the Chairman of Imperial Chemical Industries, Ltd., said: "In a number of export markets British trade is finding it difficult to hold its own as a result of the conclusion by Germany of trading arrangements on a barter or compensation basis, including in most cases the establishment of direct central clearing." In the House of Commons, May 14th, 1936, Colonel Ropner said that some British firms, like Levers, were forced to take German goods in exchange for goods sent to Germany, and these took the form of German ships. An Anglo-Italian Clearing Office was set up in July, 1936. Anglo-Italian trade was put on a clearing basis in September, 1936 (Cmd. 5274). On December 27th, 1936, Compensation Brokers, Ltd, was formed, to act as



a brokerage concern in regard to barter transactions for supplying goods from Germany and other European countries to parts of the British Empire other than the U.K. in exchange for raw materials. The scheme was approved by the British and Dominion Governments and by the Bank of England; and it was reported that a special department of the German Board of Trade had been formed to execute it. In November, 1936, the Province of Quebec was negotiating a barter agreement with Italy (dried fish for Italian wines). Note that whereas the first clearing agreements, in 1932, were designed to cover single commercial transactions, i.e. visible foreign trade, economic necessity has led to the extension of clearing agreements in most cases to include several external transactions and invisible trade. Thus, in 1936, the Franco-German agreement operating, provided for a percentage of payments due from French importers to go to meet the service of the Dawes and Young Loans. French agreements with Hungary, Bulgaria, Turkey and Rumania contained similar provisions. The Swiss agreements with Rumania and Greece related to financial debts as well as goods. The German-Swiss agreement covered touring requirements as well as goods and capital. Czechoslovakian clearing agreements, varying with circumstances, cover, as a whole, almost all external transactions. By April, 1935, 25 countries had set up Compensation Offices.

P. 327, Footnote 5: See also *Annals of Collective Economy*, January-September, 1936, "Organised Compensatory Trading", and *Le Chèque Compensation International devant l'Opinion*, Paris, 1936.

P. 329: Under the August, 1934, Greece-Yugoslavia Clearing Agreement, Yugoslavia may cede part of the credits obtained by trade with Greece to other countries having clearing agreements with Greece.

Footnote 2: In May, 1933, Greece introduced into a commercial agreement with Turkey the principle of compensation money (*bons de compensation* or *bons de caisse*), which was to be applied subsequently in clearing relations with other countries. In fact this form of compensation money was utilised for part of the commercial or freight transactions, within a bilateral framework. Prior to the German-Hungarian agreement (December 5th, 1935), Germany had unblocked certain frozen credits by permitting the utilisation of corresponding sums for tourist purposes in Germany. In other words, frozen credits were repaid in travellers' cheques (cheques for travel in Germany). The amount unblocked by this means was raised on the occasion of the Olympic games. The above German-Hungarian agreement provided

for means of payment based exclusively on the employment by the two countries, in their reciprocal relations, of "compensation money". National and private banks collaborated in the functioning of this system, which assured exact reciprocity. Italian-Czechoslovakian arrangements have provided for the former's payment for coal supplies by means of cheques for travel in the Peninsula, hotel and petrol coupons, etc. The 31st Biennial Conference of the Executive Committee of the International Hotel Alliance, Berlin, May 4th, 1936, discussed the adoption of a coupon system with an international clearing arrangement as a means of fostering and facilitating foreign travel. In January, 1937, an Inter-Ministerial Conference at Paris, decided that, on the occasion of the next commercial negotiations with two countries with which France has clearing agreements, France would try to introduce in these agreements, as far as possible, the compensation cheque, with a view to plurilateral extension of the compensation system. In 1937, M. Vincent Auriol, Minister of Finance in the Blum Government was proposing to develop the compensation system.

*P. 333:* Referring to the Milhaud proposals, the League Economic Committee's Report to the Council, September 12th, 1936, (see especially Notes E.953 and 953 (a)) admitted that "the ingenuity of the method proposed reflects the greatest credit on the author. It constitutes unquestionably a valuable contribution to the study of current problems." It admitted, too, that it "might no doubt result in appreciable improvements in the present clearing system". Without offering any practical alternative, however, it urged that the clearing system should be abolished! The Second Committee of the 1936 Assembly discussed a Haiti proposal, supported by Colombia, requesting the Council to ask the Economic and Financial Organisation, with the B.I.S., to study ways and means of arranging plurilateral compensation by means of compensation cheques. (The Council, as stated already, had delayed such a study, called for by the 1935 Assembly.) The Second Committee's Report, adopted by the Assembly, urged the disappearance of clearing systems; but, "anxious nevertheless to neglect no means, even if of only temporary effect, to ensure the resumption of international transactions, it recalls the fact that the question has already been submitted to the Economic and Financial Organisation of the League . . . and that it has to continue to study it in collaboration with the B.I.S." The Economic Committee, in June, 1937, decided that it would not modify to any extent the above attitude.

## CHAPTER V, pp. 343-59

Pp. 344-9 (a): The French Government's statement of its foreign policy, June 23rd, 1936, proposed the revival of the Commission of Inquiry for European Union.

Pp. 350-1: At the Little Entente Conference, Bratislava, September, 1936, and the Little Entente Economic Conference, Bucharest, October, 1936, the improvement of economic relations was discussed. Stamps bearing the heads of Kings Carol and Peter and President Beneš are being issued in each of the three countries. At the Belgrade meeting of the Permanent Council of the Little Entente, April 1st and 2nd, 1937, it was stated that Bulgaria and Yugoslavia were negotiating a regional economic arrangement amounting to a partial Customs' Union for certain products: as against third parties they would form one economic territory. The aim is a full Customs' Union. The Sinaia Little Entente Conference, August, 1937, gave special attention to economic relations between the Little Entente and other Danubian States, and noted the growth of inter-Little Entente trade. On December 19th, 1936, the Governors of the Central Banks of Yugoslavia, Rumania and Turkey (Balkan Entente), meeting at Athens, declared that they desired representation on the administrative council of the B.I.S. as a single body. The Balkan Entente Economic Council met at Athens, March 18th-22nd, 1937. In the Second Committee of the 1936 Assembly, the Czechoslovak delegate suggested the development of regional economic interdependence, especially in the Danube area. At the Vienna Conference of the Foreign Ministers of the Rome Protocols Group, November, 1936, it was decided to develop economic co-operation, especially in the direction of the reconstruction of the Danube basin. An Italian-Yugoslav Trade Agreement, March 25th, 1937, created a Permanent Italo-Yugoslav Economic Committee, *inter alia*, to prepare the general lines of a larger regional scheme of economic collaboration, which was discussed at its first meeting, at Belgrade, June 28th, 1937. President Beneš's visit to Belgrade in April, 1937, was regarded as a step towards closer economic co-operation between the Little Entente and the Rome Protocols Group.

P. 352 (d): Baltic States' Foreign Ministers met again at Riga, December 9th to 11th, 1936.

(e): At a Conference, at The Hague, May 3rd to 28th, 1937,

Belgium, Luxemburg, Netherlands, Denmark, Sweden, Norway and Finland signed a new Convention (May 28th, 1937), for one year, in inaugurating a new phase in economic relations within the "Oslo" group, the Convention being open to the adhesion of other States. It merely tended to reduce, gradually, trade barriers and abolish "crisis" measures. Far too much fuss has been made about it.

*Pp. 353-8 (g):* On May 13th, 1936, in London, Dr. Earl Page (Deputy Prime Minister of Australia) advocated a ten-year markets, investment and migration plan for the Commonwealth, and Commonwealth rationalisation of secondary as well as primary industries: Commonwealth Governments should ratify and facilitate the execution of agreements between industrialists. On August 1st, 1936, the Australian Commonwealth Attorney-General advocated a Dominions Secretariat for co-ordinating Commonwealth policy. In the House of Lords, March 17th, 1937, Viscount Bledisloe advocated a standing Empire Economic Council representing industrial and agricultural production. The 1937 Imperial Conference was held, in London, May 14th to June 15th, 1937. At the First Plenary Session, Mr. Mackenzie King condemned economic Imperialism. The Conference did not attempt to revise the Ottawa Inter-Imperial Trade Agreements. Its Economic Committee reviewed the work of the Imperial Economic Committee and other inter-Imperial organisations in the economic sphere. An Australian proposal to create an Empire Agricultural Council was not adopted. The Imperial Economic Committee was held to be suitable for performing the functions of such a body; moreover its continuation was approved. If special questions needed attention, reference to *ad hoc* bodies was preferred. The Committee on Civil Air Communications decided that the proposed Trans-Tasman and Trans-Pacific air services should be discussed by the Governments concerned, and that Governments should consult if projected foreign air services would affect another Commonwealth member. The continuation of the Imperial Shipping Committee was approved, and the threat to Commonwealth shipping in the Pacific was referred to a sub-committee of the four Governments concerned. A committee discussed questions of mutual interest in supply and production of munitions, war material, food and feeding stuffs, and the development of standardisation and co-operation in regard to supplies. The Conference did not acquiesce in modification of the preferential trading system, to make raw materials resources really accessible to "have-not" nations, and thus facilitate a bold

effort to summon a new world economic conference. The Empire Marketing Board was abolished in 1933; but, on May 6th, 1937, the Secretary of State for the Colonies announced the promotion of a scheme for the marketing of Colonial produce in the U.K. and overseas, supervised by "The Colonial Empire Marketing Board," under the Chairmanship of the Secretary of State, with executive functions, and with activities closely co-ordinated with the economic activities of the Colonial Office. Later it was stated that the Board would comprise 15 members, drawn from business and Parliament, would appoint marketing officers to study the marketing of Colonial produce and then help producers to build up efficient marketing organisations, and would foster research and inaugurate the organisation of publicity for Colonial products. The Report of the British Commonwealth Science Conference, London, September, 1936, published January 13th, 1937, showed interesting methods evolved by Commonwealth Governments for joint control of a common service. Delegates represented mainly Departments and official research councils in the Commonwealth. It considered whether certain inter-Imperial co-operative services designed to help research workers, in agricultural sciences in particular, were discharging their duties properly. Finance comes from all Commonwealth Governments; and is controlled by an Executive Council responsible to all the Governments. The Conference was satisfied with the system's working. The 1927 Imperial Agricultural Research Conference had recommended the creation of eight agricultural bureaux to aid research in eight branches of agricultural science. In 1929, machinery for organising and controlling them was devised, along the lines of the 1926 Imperial Conference's constitutional ideas. The Imperial Committee on Economic Consultation and Co-operation (Skelton Committee), 1933, which investigated the work of the Empire Marketing Board and other Inter-Imperial agencies, at the request of the Ottawa Conference, approved this kind of organisation, and Empire Governments accepted the Skelton Report.

*Pp. 358-9 (h):* The Inter-American Conference, Buenos Aires, December 1st to 23rd, 1936, initiated by President Roosevelt, considered methods of linking the American Republics more closely from an economic point of view, and inter-American communications by land, sea and air; and suggestions were made for a central reserve bank and a system of credits to facilitate Inter-American intercourse. Most of the economic problems were left over to the 1938 Lima Conference. A Draft Recommendation

adopted urged participating Governments to make, as soon as possible, a careful inquiry into the standard of living and the various factors of the economic situation in their countries; such inquiries to be co-ordinated by the Pan-American Union. In May, 1937, representatives of the American Republics met to consider giving effect to the Convention on Pan-American Commercial Committees agreed to by all countries at the Pan-American Commercial Conference, Buenos Aires, 1935. The Argentine Government announced its appointment of such a Committee and said that the most important sphere of Pan-Americanism was the economic sphere.

CHAPTER VI, pp. 360-428

P. 363: "It is perhaps no longer possible to consider an international political disarmament convention not having as a complement or corollary an international economic convention providing for compensating outlets for the concerns involved and the labour employed. There would naturally arise questions of equipment and great European, colonial and international works—that is, material and technical co-operation, questions of credit and financial co-operation" (M. Léon Blum, January 24th, 1937). "My Government regards disarmament as related to the problem of economic nationalism. . . . Is not trying to solve the problem of armaments, without concurrently attempting the solution of the other problems, to attack the effect while disregarding the causes? . . . So long as nations seek to stifle trade, to divert it, to close natural markets and diminish its volume by bilateral balancing . . . the sense of insecurity will prevail . . ." (Mr. H. Wilson, U.S. Government Delegate, at the Bureau of the Conference for the Reduction and Limitation of Armaments, May 31st, 1937). See also H. G. Wells's powerful letter to *The Times*, April 28th, 1936.

P. 364: The persistence of the belief in the efficacy of the negative and exploded ideas of free trade is seen in Sir A. Willert's letter to *The Times*, April 27th, 1937, supporting Mr. Cordell Hull's policy of concluding 16 freer trade treaties on a most-favoured-nation basis, and in the "National Memorial for Peace and Economic Co-operation", presented to the British Prime Minister, February 8th, 1937. Further evidence of the futility of the Economic Committee's present efforts is found in its decision, in June, 1937, to duplicate the van Zeeland inquiry into means

of freeing international trade. The latest variation of the free trade theme is Mr. Sandler's (Swedish Foreign Minister) advocacy of "a more rational trade" (London, March 18th, 1937). The 1936 Assembly saw the bad old ideas still supreme. Mr. Morrison (British Government delegate) could do no more than urge "a more widespread and general scope for the lowering of tariff barriers—it may be by bilateral negotiations on the basis of the most-favoured-nation clause." These ideas have exercised such a powerful influence at Geneva, that even the Director of the I.L.O. (Mr. Harold Butler), whose Annual Reports in 1936 and 1937 have emphasised the permanent movement of economic forces away from *laissez-faire*, says (contradicting the whole trend of his economic arguments in these Reports), "The only way out of our present troubles is by restoring as far as may be the free exchange of goods, services, money and population upon which pre-war prosperity was founded" (1936 Report, p. 85).

P. 368: Note the discussions on Planning at the 9th Congress of the International Chamber of Commerce, June 28th to July 3rd, 1937, Berlin. Mr. Prytz (Sweden) spoke of the superior efficiency of the planned economic structure to that of the nineteenth century, and of the success of Government planning measures. Mr. Conti (Italy) showed how trustification, War-time experience, the 1929 economic crisis and labour problems necessitated increasing Government intervention in the economic system, "to bring national economic life and international exchanges under a single controlled system."

P. 369: Representatives of certain countries (Belgium and Germany were mentioned privately) at the Third World Power Conference, Washington, September, 1936, were said to have attempted to interest U.S. Government officials in the possible early calling of a Conference of the chief commercial Powers for a discussion under the general title of the "International Division of Labour." The significance of this suggestion cannot be over-emphasised.

P. 373, Footnote 1: See Mr. Summer Welles' (U.S. Under-Secretary of State) statement of U.S. foreign policy, at the Institute of Public Affairs, University of Virginia, July 7th, 1937, condemning the economic and political maladjustments, disrupted economies and injustices created by the Peace Treaties; and the terrible burden imposed on the defeated Powers.

Pp. 386-8: The vital problems of world trade have received special attention during the past year. In several quarters it is coming to be realised that a new foreign trade policy and technique

must be elaborated, and fresh ideas found, indicating a movement of ideas in the direction herein advocated. *The Times* has published some significant articles. One of these, "World Trade in the Future. New Conditions. What is British Policy to Be?" (by a Correspondent, November 9th, 1936), condemns bilateral trading pacts coupled with the most-favoured-nation clause and urges the overhaul of British overseas trade machinery. The writer deplores the fact that the shrinkage in the business of British foreign merchant houses and London financial houses, and the development of sales organisations of large firms and groupings tending to concentrate upon high-pressure selling of a particular line of goods, have led to the tendency to ignore the need for assisting return trade in the other direction to facilitate payments from a developing market ("two-way trade"). "State trading has come to stay. Can we hope to succeed in dealing with totalitarian States, whose methods are definite and vigorous, while we are using a technique and mechanism evolved years ago in laissez-faire conditions? . . ." In its leading article commenting on this, *The Times* criticises powerfully the classical free-trade economists. A *Times* Correspondent (February 25th, 1937, "Look Both Ways. World Trade and the Trader. The Need for a New Approach") criticises the primitive and obsolete British trading equipment, and says that we must "frankly recognise that laissez-faire has gone for good". Commenting on this, *The Times* leading article replies effectively to the advocates of low-tariff groups (e.g. "The Next Five Years" group, the "National Memorial on Peace and Economic Co-operation", and those who dominate the economic ideas of the League of Nations' Union): "What matters is not so much that a country should have a low tariff as that, whether a tariff is high or low, it should be ready and able to buy goods from others in exchange for the goods it produces itself or the money it has invested abroad." Sir Arthur Salter is another devotee of the futile policy of liberalisation of world trade, by low-tariff groups and by modification of the use of most-favoured-nation rights: see his article, *The Times*, January 1st, 1937, "World Trade Policy. A New Economic Opportunity. Unfreezing". (In his book, "*World Trade and Its Future*", London, January, 1937, however, he gives some indication of a perception of the need for a new approach in his criticism of the "middle-aged constipation" of the capitalist competitive system.) *The Report on International Trade* (by "P.E.P."—"Political and Economic Planning", London, May, 1937) analyses present trade conditions and urges Governments to evolve a new



technique to meet them: nineteenth century beliefs are regarded as out-of-date; and both free trade and protection are condemned. The Ottawa Agreements and bilateral trade treaties are said to have outlived their usefulness. The Report calls for economic collaboration between nations linked by geography and economics. Here, again, the same movement of economic ideas is seen. The First Report of a Committee of the Association of British Chambers of Commerce, on British Trade Agreements with foreign countries since 1931, adopted by the Executive Committee of this Association and submitted recently to the President of the Board of Trade, condemns bilateral agreements and urges a development of multilateral trade. See also F. Geidt's letter, *The Times*, September 22nd, 1936, and the Congress of the International Chamber of Commerce (Berlin, July, 1937) resolution calling for multiangular exchange of goods and services. A most striking declaration was made recently by Mr. W. D. Herridge (often spoken of as a possible successor to the leadership of the Conservative Party in Canada), who advocated to the Canadian Club (April 12th, 1937) the regulation of international trade through import and export Boards, and controlled barter: "A reform of the capitalist system is sorely needed and the attainment of optimum standards for the people is possible only through the equitable distribution of the maximum production of world goods. Until we abandon the doctrine of unregulated and unrestricted trade the arbitrary and ruinous restrictions upon our peace-time export of natural products will continue; for unrestricted trade is the hired man of scarcity, while regulated trade is the architect of greater national well-being. The difference between the old internationalism with its scheme of restricted trade, and my proposed scheme of controlled barter is the difference between piracy and the right to sail the seas." See also Sir Leo Chiozza Money: *Product Money: a Sequel to Riches and Poverty*, London, 1933, especially Chapter XI, "The Relation of Product Money and International Trade"; and *Prosperity and Depression* (League of Nations' Economic Intelligence Service: "written by an economist of international reputation", June, 1937). The latter discusses business cycles. Its author holds that any economic system organised on the lines of our present individualistic, money-price economy is liable to cumulative processes of expansion and contraction, particularly on account of the fluctuating profitability of investment. Here, at long last, is the first sign—revealed with exceeding timidity—of the League Secretariat's awakening to the economic realities of the modern world. But how could it muster

the courage to publish an anonymous work containing such ideas?!!

P. 388, *Footnote*: See also, Lord Melchett: *Modern Money. A Treatise on the Reform of the Theory and Practice of Political Economy*, London, 1932, especially Chapter IX and p. 257.

P. 391: Note that the monetary agreement of September, 1936, for co-operation between the chief Exchange Equalisation Funds in adjusting balances has meant that the gold standard basis of international trade has been absolutely discarded. This important development in the sphere of international monetary relations, between Great Britain, the United States and France, was announced on September 26th, 1936; Switzerland, Netherlands and Belgium adhered to the agreement subsequently. The agreement provided that the countries concerned should refrain from destructive currency competition and should co-ordinate their monetary policies so as to preserve the stability of their currencies in terms of each other. The machinery of co-ordination was to be the Exchange Equalisation Funds of the three countries. A new and highly significant experiment was made in providing for co-operative working of these funds. It should be observed, however, that although such co-operation and management, and concerted action by other methods within the competence of the Central Banks, may stop short-term fluctuations in rates of exchange caused by speculation and other temporary influences, they cannot create true stability unless measures also are taken to remove the causes of the breakdown of the international gold standard in 1931. Budgetary and credit policies must be brought into line, and steps taken to organise international trade upon a proper basis. Although the terms of the agreement do not disclose any measures to organise international trade, it is satisfactory to note that these Governments agreed to pursue a policy tending to promote prosperity in the world, and to improve the standard of living; and declared that the success of this currency stabilisation policy is linked with the development of international trade. The British Government stated that it desired to maintain the greatest possible equilibrium in the system of international exchanges. The French Government declared that the stability of the principal currencies could not be ensured on a solid basis except after the re-establishment of a lasting equilibrium between the various economic systems

Pp. 393-4: Note that the Act of August 23rd, 1935, modified the U.S. 1913 Federal Reserve Act, strengthening the Federal Reserve Board's and Government authority.

*Pp. 399-402:* See pp. 444-5. The King of the Belgians' proposal for an independent world economic organisation is a move in the direction of a world economic council; although this plan envisages rather a research organ than an instrument of action and control, which is what is required. In his letter to *The Times*, April 28th, 1936, Mr. H. G. Wells attacks "League of Nations' Liberalism"; and he proposes a federal board to direct world production and trade, plus a world control of main-line transport, posts, telegraphs and radio. Note that, at its Warsaw meeting, June, 1937, the Executive of the I.F.T.U. decided to establish a special economic department and to ask national centres to create similar departments to further planned economy. In replying to the discussion on his Annual Report at the 1936 International Labour Conference, the Director of the I.L.O. noted that various delegations expressed the view that the International Labour Organisation should extend its sphere of activity and attempt to deal directly with the wider economic and financial problems upon which social progress depends. He said: "The force of this Organisation in the future will lie in its capacity to adapt itself to deal effectively with social problems in whatever form they may arise". See also p. 442; which indicates I.L.O. potentialities in the direction of organising world economic life.

*Pp. 404-9:* On January 27th, 1937, the Council's Rapporteur on the Constitution and Working of League Committees said that during 1936 the Rules of Procedure of the various League Committees had been brought, within the time-limit prescribed by the Council (except for the Communications and Transit and Intellectual Co-operation Organisations) into line with the General Regulations as decided by the 1935 Assembly. See also pp. 455-6 on this, and on the composition of League Committees.

*Pp. 409-13:* At the conclusion of the International Textile Conference convened by the I.L.O., at Washington, in April, 1937, the head of the U.S. delegation and Chairman of the Conference emphasised the significance of this Conference in the sphere of international trade; and said that the proposal to establish a committee of representatives of Governments, employers and workers to study this industry's problems within the framework of the I.L.O. was "a significant advance in the development of I.L.O. technique . . . a movement forward from matters of intermittent consideration to the larger field of prosperity and social justice in the entire industry". The Director of the I.L.O. agreed that this might have repercussions outside the I.L.O.'s immediate sphere of influence. See also p. 442.

P. 411, Footnote: See also p. 443 for further developments in this connection.

P. 417: In a letter to *The Times*, May 14th, 1937, R. A. S. Redmayne summarises the chief lessons which five years of Imperial Preference should have taught the British people: "That the Joseph Chamberlain dream of unlimited exchange of our manufactures for the Empire's primary products is an anachronism in an age when the Dominions are busy developing their own secondary industries. In actual fact the increases in our imports from the Dominions have very greatly exceeded the increase in our exports to them, and the relatively small gain in British exports to the Empire is more than outweighed by the decline in our sales to foreign countries. The explanation is to be found in the very natural—and effective—determination of the Dominions to protect their developing industries against competition from all sources. Undeterred by their sentimental regard for the Motherland, the Dominion Governments take the by no means unreasonable view that their first duty is to their own people. . . . That anything in the nature of an Imperial Zollverein constitutes a form of economic nationalism, on however large a scale, which runs counter to our declared policy of lowering the barriers to international trade; and has the further grave disadvantage of lending colour to the argument of foreign countries lacking a colonial empire that access to primary products is denied to them. . . ." In a letter to *The Times*, May 27th, 1937, P. Guedalla says that the "Ottawa agreements have impeded the revival of our export trade with those foreign countries which constitute some 50 per cent of our total markets . . . and have in practice stimulated economic nationalism among foreigners." The Marquess of Lothian, in the House of Lords, July 21st, 1937, said that "after some five years' experience of the Ottawa duties the comment of the Imperial Conference was that British Empire prosperity depended not so much on trade between one Dominion and another as with the world as a whole." "P.E.P.'s" *Report on International Trade* (May, 1937) emphasises that the British Empire as a whole is more dependent upon its trade with the outside world than on its mutual trade; that the Empire output of primary goods and manufactures is considerably greater than can be consumed within the Empire; and that other outlets, principally in the industrialised parts of Europe and the U.S.A. are therefore essential. *The Times* Canberra Correspondent, May 17th, 1937, emphasises that Mr. Lyons' plan for a Pacific Conference, outlined at the Imperial Conference "is inspired,

on the economic side, by the Dominion's growing need of wider markets than the Empire alone can provide. The Empire can never consume all Australia's staple products, such as wheat and wool, a large proportion of which must go to Pacific countries such as Japan and China if trade policy is to be wisely directed. More than 40 per cent of Australian exports already go to foreign countries, and the United Kingdom's population and situation suggest that this percentage is destined to increase." *The Times*, leading article, May 19th, 1937, emphasises that Japan is Australia's second-best customer for her staple product, wool.

*Footnote 3:* The Indian Government gave notice of denunciation of the Ottawa Agreement, May 13th, 1936.

*P. 421:* Lord Rennell, in the House of Lords, June 30th, 1937, advocated a reformed League, with three Councils representing peoples occupying territories in Europe, America and Asia, with a General Assembly representing all nations at Geneva, recording a world's decision. At the July, 1936, League Assembly, M. Delbos suggested that there might be a European and a Pan-American Union. In December, 1936, the Committee on the Application of the Principles of the Covenant appointed a Rapporteur for "Regional and Continental Organisations of the League." The Inter-American Conference, Buenos Aires, December, 1936, decided to leave over till the 1938 Lima Pan-American Conference, the question of an American League of Nations: its Committee on the Organisation of Peace appointed a sub-committee on the matter. It also postponed till then the giving effect to a convention for establishing an Inter-American Court of Justice.

*Pp. 424-8:* The significance of the "silent revolution" of power and energy was discussed admirably in the leading article in *The Times*, September 19th, 1936. (Cf. its leading article, March 25th, 1935, on the silent movement away from laissez-faire). Like Sir Josiah Stamp, at the British Association meeting at Blackpool in 1936, and Mr. Roosevelt, in his opening address to the World Power Conference, Washington, September, 1936, it stressed the need for "human engineering" to enable the world to utilise the great gifts bestowed by science. President Roosevelt suggested that what was needed was suitable organisation and utilisation of the engineering already incorporated into the engineers' and scientists' technique, rather than further scientific and engineering achievements.

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